



# ***Daily Report***

## **East Asia**

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# Daily Report

## East Asia

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## Japan

### 'Pending Tasks' Said Not Addressed at Summit

OW1301122095 Tokyo NIHON KEIZAI SHIMBUN in Japanese 13 Jan 95 Morning Edition p 5

[By Hiroshi Yamazaki]

[FBIS Translated Text] Washington, 12 Jan—Although economic issues were not a major point of contention during the recent Japanese-U.S. summit talks, it can be said that the two leaders have substantially postponed solving pending tasks. The United States made a compromise to show harmony with Japan for the time being because the Clinton administration has not yet decided the basis of its strategies toward Japan since the Democratic Party's defeat in the mid-term elections. However, this does not mean that the administration has become indulgent to Japan. Prime Minister Tomiichi Murayama promised President Clinton that he would tackle deregulation and promote negotiations on the automobiles and auto parts sector under the Japanese-U.S. economic framework talks. It can be said that Japan has been burdened with homework that it must solve. It is expected that if Japan fails to produce results, the United States will once again take a hard-line stance.

The U.S. avoidance of confrontation with Japan is based on the fact that there is no command post in its strategies toward Japan. U.S. Trade Representative (USTR) Mickey Kantor, who had taken command of the negotiations until fall 1994, has now slightly lost his influence. It can be said that the U.S. Administration, which has been focusing its strategy on the Congress, financial problems, and other issues, "has not yet come up with" economic policies on Japan (as stated by a Foreign Ministry source).

On the other hand, it is doubtful whether or not the Japanese Government is able to deal with the pending tasks, which the two countries have postponed. Japan has promised to compile a deregulation promotion program "while hearing U.S. opinions" (as stated by Yohei Kono, deputy prime minister and concurrently foreign minister). However, it will be difficult to have the United States appreciate the contents of the deregulation program. Although the U.S. President dared to refer to the automobiles and auto parts negotiations during the meeting with the prime minister, U.S. interest lie in direct negotiations with the Japanese automobile industry. The Japanese Government has failed to come up with the contrivance of concluding the government-level negotiations. What is more troublesome is the handling of the Asia-Pacific Economic Cooperation (APEC) forum to be held in Osaka in November. There is confrontation between the United States, which has called for early liberalization of investments, and Southeast Asian nations, which have remained cautious about the U.S. demand. However, the Japanese Government, which will host the APEC forum, has just begun to hear opinions from each country and region. Under the actual

situation, it is impossible to predict how the Japanese Government will be able to fulfill its capability of coordinating different opinions.

### Aid to Iran Said Discussed at U.S. Summit

OW1301101295 Tokyo KYODO in English 1001 GMT 13 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—Foreign Minister Yohei Kono said Friday [13 January] Japan's financial assistance to Iran was on the agenda at the Japan-U.S. summit meeting held in Washington on Wednesday [11 January].

Speaking at a press conference fresh from his trip to Washington accompanying Prime Minister Tomiichi Murayama, Kono said Murayama and U.S. President Bill Clinton took up the issue from the viewpoint of how to achieve stability in the Middle East.

He did not go into details, however.

Japan is preparing to extend a second official loan to Iran for a dam project, but Washington has asked Tokyo to refrain from providing such money on the grounds that Iran supports terrorism and is expanding its military, official Japanese sources said.

### Clinton's Remarks on Okinawa Bases Viewed

#### Okinawa Government Reacts

OW1301035095 Naha OKINAWA TIMES in Japanese 13 Jan 95 Morning Edition p 1

[FBIS Translated Text] At the latest Japan-U.S. summit on the morning of 11 January (in the early dawn of 12 January Japan time), President Clinton, referring to the issue of streamlining and scaling back the size of U.S. military bases on Okinawa, expressed his intention to vigorously grapple with three pending problems related to the U.S. military bases on Okinawa including the return of Naha Military Port. In reaction, the Okinawa Prefectural Government has hailed the President's action as a "reflection of the requests by Okinawans and that the Okinawa prefectural governor has made by visiting the United States five times." The Okinawa Prefectural Government plans to continue to ask the Governments of Japan and the United States that the issue of streamlining and scaling back the size of U.S. military bases on Okinawa, including the three pending problems, be resolved in a specific and visible way.

Okinawa Prefectural Governor Ota and the ruling Social Democratic Party of Japan strongly asked Prime Minister Murayama to work for the solution of the issue of streamlining and scaling back the size of U.S. military bases on Okinawa prior to his visit to the United States. At the summit, Prime Minister Murayama asked President Clinton for the U.S. Government to make further efforts to resolve the issue. This is the first time that the issue of streamlining and scaling back the size of U.S.



military bases on Okinawa has been discussed at a Japan-U.S. summit since Okinawa reverted to Japanese rule.

At the summit, the two leaders affirmed their common views on the "need to uphold Japan-U.S. security arrangements to maintain peace and stability in the Asian and Pacific region." At the summit, Prime Minister Murayama told the President that Japan will continue to work to bear the cost of maintaining U.S. forces in Japan and then asked that the United States work to streamline and scale back the size of U.S. military bases on Okinawa.

The prime minister made that request at the summit with the U.S. President with the aim of giving the impression that the Murayama government has been taking an aggressive stance toward resolving the issue. President Clinton is believed to have expressed his intention to vigorously grapple with the three pending problems out of his need to ask Japan to shoulder the cost of maintaining U.S. forces in Japan. At the summit, the President also stated, "I have already instructed Ambassador Mondale to work to resolve the issue of streamlining and scaling back the size of U.S. military bases on Okinawa, including the three pending problems."

The Okinawa Prefectural Government regards as the three pending problems: 1) the return of Naha Military Port; 2) the halt of parachute drop training at Yomitan Auxiliary Airfield and the return of the airfield, and 3) the abolition of live-fire exercises by U.S. forces on Okinawa across Prefectural Highway No. 104. Okinawa Prefectural Governor Ota has asked officials of the U.S. Government and members of the U.S. Congress to solve the three pending problems. He made the same request to Prime Minister Murayama on 6 January.

Now that the U.S. President has expressed his intention to grapple with the three pending problems, Japan-U.S. working-level officials will discuss ways of resolving the problems. Standing in the way of resolving the three pending problems is how to secure a site for the relocation of Naha Military Port. It is believed that it will take some time before the three pending problems are resolved.

#### **Governor's Strategy Said To Have Worked**

*OW1301093095 Naha OKINAWA TIMES in Japanese  
13 Jan 95 Morning Edition p 2*

[Unattributed article: "Okinawa Government's Efforts in Plea Campaign Paying Off; Narrowing Down The Number of Issues to Three Proves a Turning Point; Direct Pleas To U.S. Congress Members Also Prove Effective]

[FBIS Translated Text] A turning point in the Okinawa Government's campaigns seeking integration and reduction of the military bases in the prefecture apparently came when Okinawa Governor Masahide Ota narrowed

down the number of the base issues to three major areas in talks with U.S. officials during his visit to the United States last year.

Both the Japanese and U.S. Governments have begun to take action to deal with the issues in response to Ota's call.

The U.S. officials, who call the three major issues the "Big Three," last year for the first time presented their proposal for dealing with them to the Japanese Government. The U.S. Congress has since asked the U.S. Department of Defense to conduct a review of U.S. military bases in Japan. A series of campaigns waged by the prefecture are turning out to have been effective.

The fact that the question of integrating and reducing U.S. military bases on Okinawa was taken up as a common topic the Japan-U.S. summit this time proves that the Okinawa Government's efforts in working on the U.S. Government and Congress are bearing fruit.

Some U.S. officials said: "A lead toward a solution has been found because the demands were narrowed down to three areas."

The U.S. Government's proposal on the Naha Military Port, which is among the three major issues, is to "install berths on the west coast of Urasoe City, and to use the Camp Kinser compound in storing materials." This would allow a 50 percent reduction in the port facilities area that it needs.

On the issue of live-fire artillery exercises conducted over Prefectural Highway 104, the U.S. proposes to move the site of the exercises to Higashi Fuji Training Ground (in Shizuoka) on condition that Japan shares half of the cost of the move.

The problem of paratroop training at Yomitan Auxiliary Airstrip will be solved by moving the exercises to the Central Training Ground between Kin-cho and Ginozason. The problem of buffering radio waves at the Sobe Communications Station will remain unresolved, but the goal is to have all of the area returned to Okinawa eventually.

Okinawa Government officials have also made an effort to contact U.S. Congress members, making pleas mostly to Senators and Congress members known as liberals. A report reviewing the economic and environmental issues relating to the U.S. military bases is due to be prepared and presented to Congress by 1 March.

There has never been an instance of U.S. Congress taking action on the Okinawa issues before. It can be said that Governor Ota's strategy of targeting Congress members at the time of his visit to the United States on campaign tours has worked.

#### **Okinawan SDPJ Chapters React**

*OW1301043795 Naha RYUKYU SHIMPO in Japanese  
13 Jan 95 Morning Edition p 2*

[FBIS Translated Text] With regard to U.S. President Bill Clinton's remark at the Japan-U.S. summit talks that



he would exert efforts to resolve issues concerning U.S. military bases in Okinawa, the Okinawa chapters of the Social Democratic Party of Japan [SDPJ] and Komei termed this "one step forward," while the Liberal Democratic Party's [LDP] Okinawa chapter said, "This is good news that may become the basis for reorganization and consolidation of the bases."

On the other hand, the Okinawa Socialist Masses Party [OSMP] and the Okinawa chapter of Japan Communist Party [JCP], while they also voiced their hope that pending issues would be solved, expressed concern that, "There is the danger that Japan may become completely integrated into the Japan-U.S. security arrangement."

The political parties also cited various problems that need to be tackled, including legislating a law on the use of returned military land, relocating Naha Military Port, compensation for returned military land, and compensation for base employees.

The Okinawa chapter of the ruling SDPJ highly appraised the remark, saying, "The fact that President Clinton cited the three concrete pending issues and instructed the U.S. ambassador to Japan to resolve them means that we can expect unprecedented progress." It also regarded this as a result of Governor Masahide Ota's lobbying activities in the United States. The SDPJ chapter hopes "the Murayama administration will show its true worth in working for" permanent solutions.

Likewise, the LDP Okinawa chapter sees great significance in the fact that the U.S. President mentioned explicitly the return of military bases in Okinawa "for the first time since reversion." It expressed its expectation that progress can be achieved in the reorganization and consolidation of the bases. Among the three pending issues, the LDP chapter said that "how to deal with the issue of selecting a substitute site in Okinawa is the key" to the return of Naha Military Port. It promised to "respect the opinions of all involved and to study the problem from various angles."

The Sakigake [Harbinger] Okinawa chapter also welcomes the remark as "good news," and asks that the national and prefectural governments work hand in hand to promote "the early legislation of the law on military land use, compensation to landowners, and the formulation of returned land development plans."

The Okinawa chapter of Komei regards the President's remark as "a step forward." It calls for "permanent solutions," including legislating a law on military land use and providing compensation for base employees.

While the OSMP positively appraises the fact that U.S. bases in Okinawa were discussed at the summit meeting, it questions Prime Minister Tomiichi Murayama's position on maintaining the Japan-U.S. security setup. It voiced the criticism that, "Japan shoulders the expenses for U.S. Forces in Japan. There is a danger that Japan may become completely integrated into the security setup."

On the other hand, the JCP Okinawa chapter sternly criticized the remark, asserting, "The Japanese Government has manipulated the issue of solving the base issues to make a commitment to maintain the security arrangement, shoulder the expenses for relocating military facilities, and share the expenses of the U.S. Forces. This is absolutely unacceptable."

### Editorial Views Security Arrangements

OW1301080495 Naha OKINAWA TIMES in Japanese  
13 Jan 95 Morning Edition p 5

[Editorial: "Tokyo and Washington Urged To Narrow Their Perception Gap"]

[FBIS Translated Text] At the latest Japan-U.S. summit held on the morning of 12 January Japan time, President Clinton, referring to the Japan-U.S. security arrangements, stated, "In connection with three important problems related to U.S. military bases on Okinawa, I have instructed Ambassador Mondale to work to streamline and scale back the size of U.S. military bases on Okinawa." Thus, the President made a noteworthy comment for Okinawa.

The "three important problems" mean the three pending problems related to U.S. military bases on Okinawa, the solution of which Okinawans have continued to demand at every opportunity. The pending problems are: 1) the "return of facilities in Naha Military Port used by U.S. Forces in Japan"; 2) the "halting of parachute training on Yomitan Auxiliary Airfield by U.S. forces on Okinawa and the return of the airfield"; and 3) the "halting of live-fire exercises across the Prefectural Highway No. 104 by U.S. forces on Okinawa."

Prior to the latest summit, the Foreign Ministry, the Defense Facilities Administration Agency, U.S. Forces in Japan and the U.S. Embassy in Japan had reached general agreement on the three important problems at their working-level meeting. The president himself promised to work to resolve the three important problems for the first time, and his promise is of great significance. We welcome opening prospects for resolving the three pending problems in this historical year that marks the 50th anniversary of the end of the Battle of Okinawa.

Until now, campaigns and requests for the removal and return of U.S. military bases on Okinawa have been liable to be seen as hopeless in the face of the thick wall of Japan-U.S. security arrangements. It can be said that enthusiastic actions taken tenaciously by the Okinawans in concert with the Okinawa Prefectural Governments have influenced the Governments of Japan and the United States to move. It seems that the Okinawans now feel somewhat relieved. This is a result that cannot be achieved without independent actions taken by the Okinawans. To put the result in a somewhat exaggerated expression, we can say, "Heaven helps those who help themselves."



Seventy-five percent of the military installations of the U.S. Forces in Japan are concentrated on Okinawa, while the latter accounts for a mere 0.6 percent of Japan's total land area. We must be aware of the existence of discrimination and absurdity. On the contrary, the solution of the three pending problems may pave the way for consolidating Japan-U.S. security arrangements, and the Okinawans will continue to demand the return and removal of the U.S. military bases on Okinawa for a long time. Now that the Cold War is behind us, the Okinawans need to take their case to the field of public opinion. The president expressed his intention to work for the return of some U.S. military bases on Okinawa, and we need to watch how specifically how the president will put his intentions into practice. For now, the issue is surfacing of how to find a site for the relocation of Naha Military Port, and the solution of the three pending problems still remains unpredictable.

At the summit which was held in this historical year marking the 50th anniversary of the end of World War II, the two leaders of Japan and the United States "reaffirmed their common views on the need to uphold the Japan-U.S. security arrangements." At the summit, Prime Minister Murayama proposed to the president that Japan and the United States build a "creative partnership" to shape a new Japan-U.S. relationship. The Japanese Government takes the stance that "Japan expects the United States to work to win broad support for the Japan-U.S. security arrangements." We applaud the fact that the leaders of the two countries took up the military base issue of Okinawa for discussion, but it cannot be denied that the Okinawans see the Japanese Government's stance as a passive stance in return for upholding the Japan-U.S. security arrangements. This is the reason that Okinawans will have to continue their demands for the removal and return of U.S. military bases on Okinawa. The Japanese Government need to work for a sweeping solution of the issue of U.S. military bases on Okinawa.

The U.S. Government, struggling to cut its budget deficit, is set to review military bases abroad and submit soon to Congress a report on the study of U.S. military bases in Japan.

#### **Insensibility Revealed in This Historical Year**

The massiveness of U.S. military bases on Okinawa is not the only problem. At a time when the Okinawans are stressing the importance of this historical year that marks the 23d anniversary of Okinawa's reversion to Japanese rule and the 50th anniversary of the end of the Battle of Okinawa, U.S. forces on Okinawa are continuing their live-fire exercises and parachute drop training. U.S. Marines equipped with combat weapons are seen marching the streets. Behind this insensibility of the U.S. Marines is the mindset of the United States as a victorious power.

The United States will frequently hold ceremonies to mark victory days in this historical year that marks the

50th anniversary of the end of World War II. This year, the U.S. Government plans to hold a total of 86 ceremonies to mark the victory days.

The U.S. Government appears to be planning to hold a ceremony on June 13th to "commemorate the Battle of Okinawa." Such a ceremony strongly implies the marking of a "victory day" in the Battle of Okinawa. June 13th falls on the "memorial day." The memorial day is a day when the Okinawans recall their war experiences, mourn for the war dead, and pledge to work for a lasting peace in order to prevent the recurrence of a war tragedy on Okinawa.

If U.S. forces on Okinawa hold a ceremony to mark the victory day, this would make the Okinawans feel a sense of incongruity and unease. We hope that the U.S. Government will treat the Okinawans with more sympathy. It is a matter of course for the Okinawans to continue to condemn the Battle of Okinawa, which involved unarmed civilians caught in the bloody fighting between Japanese and U.S. troops, and to deal sternly with all actions involving war.

#### **Japan, U.S. Urged To Learn Purpose of Peace Tombstone**

The American consul general on Okinawa has stressed that a "ceremony will be held to mourn both the American war dead and civilian victims." We do hope that the ceremony will be held only for that purpose. We believe that a visit to Okinawa by American veterans will be an opportunity for them and the Okinawans to share the importance of peace.

It is clear that as seen in the question of issuing atomic bomb postal stamps, the American people still have a mindset that prompts them to view their country as a victorious nation. The photo showing U.S. Marines hoisting an American flag atop Mt. Tsuribachi on Iwo Jima has symbolized the United States as a victorious nation. In February, a ceremony will be held on Iwo Jima to commemorate the battle on the island. The explanation offered by the American consul general about the ceremony lacks persuasive reasoning.

The names of American soldiers who fell in the Battle of Okinawa will be inscribed on a "peace tombstone" to be set up in Okinawa. Their names will not be inscribed in the peace tombstone to mourn them as victorious soldiers, but the inscription of their names on the tombstone is an expression of the Okinawans' hopes for peace. The peace tombstone will be set up on Okinawa to turn Okinawa into a land from which peace spreads around the world. We believe that it is important for both Japan and the United States to fully understand the purpose of the peace tombstone and narrow their perception gap.

#### **Tokyo Said To Use U.S. Auto Parts Purchase Data**

*OW1301112595 Tokyo KYODO in English 1110 GMT  
13 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—Purchases of U.S. auto parts by 11 Japanese automakers



are expected to top an aggregate value of 20 billion dollars in the 1994 business year ending March 31, industry sources said Friday [13 January].

The combined procurement figure, if attained, would help the carmakers clear their target of 19 billion dollars, a figure they had voluntarily set to soften a bitter trade dispute with the United States, they said.

Their combined purchases of U.S. auto parts in the first half of the business year alone amounted to 9.53 billion dollars, up 31.7 percent from the corresponding period a year before, the sources said.

The Japanese Government plans to present the data to the U.S. Commerce Department soon, government sources said.

The figures have placed Japanese trade negotiators in an advantageous position at the upcoming auto trade talks—a crucial area in the Japan-U.S. trade framework talks—scheduled for Jan. 26 with their U.S. counterparts in Washington, the industry sources said.

However, Washington is likely to demand more private procurement by using the figures as a yardstick, they said.

Breaking down the procurement figure for the April-September period of 1994, auto parts purchased locally by Japanese auto assembly plants operating in the U.S. accounted for 8.03 billion dollars, up a sizable 33.7 percent, they said.

Actual imports of U.S.-made auto parts came to 1.5 billion dollars, up 22.1 percent, they said.

The U.S. locally procured portion of the aggregate procurement figure demonstrated a rapid increase as the automakers boosted the scale of their auto production on U.S. soil to circumvent the impact of a stronger yen on their earnings, they said.

Industry analysts said the automakers are highly likely to surpass the 20 billion dollar line in view of past procurement patterns by which the procurement value in the latter half of the business year tends to eclipse that of the first half.

During a succession of framework trade talks, U.S. negotiators have constantly demanded that Japanese automakers set an even higher target figure for the 1995 business year and thereafter.

Japan has rejected these demands on the grounds that they cannot intervene in private-sector decisions that should be left to individual automakers.

The Japanese negotiators' resilience led the administration of U.S. President Bill Clinton last month to decide against pressing any further demands for Japanese Government intervention and instead seek direct talks with individual automakers for increased purchases, they added.

#### **Automakers' Purchase of U.S. Parts Increasing**

*OW1301072995 Tokyo KYODO in English 0713 GMT  
13 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—Eleven Japanese automakers and their U.S. assembly plants purchased 9.53 billion dollars worth of U.S.-made auto parts in the half year that ended Sept. 30, 1994, up 31.7 percent from a year earlier, an industry association reported Friday [13 January].

At an annual rate, the purchases in the first half of the 1994 business year exceeded the 19 billion dollar goal for the full year, the Japan Automobile Manufacturers Association said.

#### **Industry's 'Growing Hope' in TMD Project Cited**

*OW1301090695 Tokyo YOMIURI SHIMBUN in  
Japanese 7 Jan 95 Morning Edition p 3*

[Unattributed article: "The Theater Missile Defense Project—Companies Are Interested in the '2-Trillion-Yen' Project"]

[FBIS Translated Text] Each defense-related company has placed its growing hope on the Theater Missile Defense (TMD) project amid the growing trend of reducing Japan's defense expenditures following the end of the East-West Cold War. TMD, as described by the Clinton administration, is a system of shooting down ballistic missiles approaching U.S. military units deployed abroad and U.S. allies such as Japan. It is said that establishing the system, including the airborne warning and control system (AWACS) which detects attacks, cruise missiles, and ships, will cost Japan about 2 trillion yen [Y] at the most. Defense-related companies, including major trading companies, have already begun to make moves concerning the TMD project.

In June 1994, David Martin, deputy chief of the Ballistic Missile Defense Organization (BMDO), which is in charge of the TMD project at the U.S. Defense Department, visited Japan, carrying with him a particular document. The document, entitled "Options for Japanese TMD," was supposed to be a basis for the Japanese version of the TMD system.

The document, which was outlined for Japanese defense industry-related companies, presented four combinations—A, B, C, and D—of high-altitude cruise missiles capable of reaching a height greater than 200 kilometers, Aegis ships, and AWACS. For combination B, which is the most expensive of the four types, the system requires 12 Aegis ships, including reserve ships, four AWACS units, and 24 missile units, costing a total of \$16.3 billion (Y1.63 trillion). This is why the TMD system is said to "be the last big-business project of the century amounting to Y2 trillion, including related expenses," as stated by a major trading company.

As a matter of course, the Japanese Government has not yet decided whether to join the TMD project because of



the issue of collective self-defense rights and the Diet resolution which bans the military use of space. In the current situation, TMD-related survey and research expenses amounting to Y20 million have been included in the fiscal 1995 budget compilation at last, and full-fledged deliberations on this issue have not yet been held at the Diet.

However, Japanese companies have already begun to actively move toward the TMD project, with trading companies taking the lead. For example, Itochu Corporation has been informally selected as an agent dealing with low-altitude defense missiles referred to as ERINT [Extended Range Interceptor] (made by the U.S. firm Loral Corporation), which will be one of the major weapons used in the TMD system. Mitsubishi Corporation has concluded an agent contract on the high-altitude defense missiles called THAAD [Theater High-Altitude Area Defense] (made by U.S. Lockheed Corporation). A defense industry source said: "The decision on the survey and research expenses is a major step. The amount does not matter."

The reason why the defense industry is greatly interested in the TMD system is that the tendency for the Defense Agency [DA] has been to reduce its expenses for purchasing equipment and materials, including airplanes, self-defense vessels, and tanks. With the collapse of the former Soviet Union, the possibility of a direct military invasion of Japan has drastically decreased. The DA's equipment and materials expenses—which peaked in fiscal 1991, reaching Y1,216.2 billion—have been reduced three years in a row, reaching Y998.6 billion in fiscal 1994. Amid this trend, the Japanese defense industry has no choice but to find a means of escape in the TMD project.

The U.S. Defense Department has virtually supported the Japanese defense industry's moves. Although the department has repeatedly sounded out senior DA officials on joint development of the TMD system, it apparently aims to share a huge amount of research and development costs with Japan. The U.S. Congress has reportedly demanded that the department reduce development costs and that it brief the Congress on the situation concerning financial contributions by Japan and other U.S. allies. A defense industry source revealed: "Deputy Chief Martin told that the more countries that join the TMD project, the easier it will be to brief the U.S. Congress."

In June 1994, the department sounded out Mitsubishi Heavy Industries, Ltd., Kawasaki Heavy Industries Ltd., and other companies for the possibility of joint development of carbon fiber composite materials, which are used for missiles and airplanes.

According to the BMDO's October 1994 report obtained by YOMIURI SHIMBUN, the BMDO has a great interest in Japan-U.S. joint development of cruise missiles launched from Aegis ships, as well as the introduction of Japanese technology, including infrared sensors for detecting missile launches.

The Japanese defense industry has also expressed its eagerness for joint development. An executive of a major trading company frankly stated that transfer of "multi-purpose technology would not violate the three principles on arms exports." In September 1994, eight companies, including Mitsubishi Heavy Industries, Ltd., NEC Corporation, and Toshiba Corporation, set up a research council to study the technological problems of the TMD system. Some major companies stated: "In introducing Aegis ships and AWACS, Japan imported the core system as a whole, so there was no technology-transfer effect. The Japanese defense industry did not earn much money. If there had been joint development..."

The Japanese Government has not yet decided to join the TMD project, and it is said that "there are many technical problems that should be solved," (as stated by a government source). However, many companies have already begun to get involved in the project.

#### MITI Official Voices Concern Over High Yen

OW1301071995 Tokyo KYODO in English 0708 GMT  
13 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—Tomio Tsutsumi, vice trade minister, expressed concern Friday [13 January] over the renewed appreciation of the yen against the dollar on the foreign exchange market.

"It is very disappointing, particularly since we were beginning to think that the cheap yen was reflecting Japan's economic fundamentals," he said. The dollar topped 101 yen at the start of the month, but was weakening to the 98 yen line Friday. Tsutsumi said the dollar's fall was "speculative," stressing he will keep a watch on the dollar's future movements.

#### Canada To Lift Import Ban on 'Some' Apples

OW1101162595 Tokyo KYODO in English 1422 GMT  
11 Jan 95

[FBIS Transcribed Text] Aomori, Japan, Jan. 11 KYODO—Canada has notified Japan of its decision to lift a ban on some Japanese-grown apples, the prefectural government of Aomori, Japan's main apple-producing region, said Wednesday [11 January].

The prefectural government obtained the information from the Ministry of Agriculture, Forestry and Fisheries, which was initially informed by Canadian authorities, prefectural officials said.

Under the two-phase import program, Japanese apples will be imported for an experimental period of two years, when Canadian authorities will check whether the products are free from unfamiliar harmful insects or diseases that could damage Canadian farm produce, ministry officials said.

If the Japanese products clear the experimental importation phase, the Canadian authorities will completely lift the embargo, they quoted the Canadian notice as saying.



The removal of the embargo will apply only to the "Fuji" type of apples which are enveloped with paper during growth to protect them from harmful insects, the officials said.

In addition to this condition, Canada will impose a requirement to keep the apples in refrigerating facilities for some time to "debug" them before they are admitted onto Canadian soil, they said.

Apples to be harvested from this fall are expected to benefit from the import liberalization, and thereafter Japanese farmers can take preventive measures to ensure their products are completely free from vermin and disease, they said.

Meanwhile, the Japanese Farm Ministry has not yet removed restrictions on imports of Canadian-grown apples, on the grounds that Canadian vermin and diseases unfamiliar to Japanese farmers could still affect Japanese farm produce if the curbs are lifted, ministry officials said.

This contrasts with Japan's handling of New Zealand- and U.S.-grown apples, when the government decided in 1993 to simultaneously scrap restrictions on imports and on exports of Japanese apples to these markets.

#### **Sales of Imported Autos Up Almost 50 Percent**

*OW1001050095 Tokyo KYODO in English 0429 GMT  
10 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 10 KYODO—Sales of imported vehicles in Japan last year surged 49.6 percent from the previous year to a record 301,391 units, the Japan Automobile Importers Association said Tuesday [10 January].

The sales eclipsed the previous record of 223,923 set in 1990 and exceeded 300,000 for the first time.

Imported vehicles' share of total Japanese auto sales also rose to a record 6.1 percent.

The association attributed the sales boom to the yen's appreciation on the foreign exchange market, which allowed auto dealers to offer discounts for imported vehicles.

Sales of imported passenger cars rose 41.6 percent to 276,161, while those of trucks skyrocketed 295.4 percent to 25,201.

Sales of automobiles produced by Japanese-owned plants overseas rose 2.3 fold to 83,780.

The association forecast a continued boom in sales of imported vehicles, saying the domestic automobile market as a whole is recovering.

Japan's overall auto sales in 1994, including minivehicles, edged up 0.9 percent to 6,527,967, also marking the first rise in four years.

In December, sales of imported vehicles gained 56.3 percent to 31,823.

Imports from most major auto producing countries scored sales gains last year.

Sales of imports from the United States totaled 102,549, up 70.1 percent, Britain 23,219, up 32.2 percent, Germany 121,388, up 23.6 percent, France 6,861, up 17.5 percent, and Sweden 17,132, up 30.4 percent. But sales of imports from Italy were down 0.8 percent at 4,529.

Sales of imports from individual U.S. automakers also expanded. Those from General Motors Corp. totaled 8,696, up 2 percent, Ford Motor Co. 11,953, up 133.9 percent, and Chrysler Corp. 13,601, up 138.7 percent.

Imports from Japanese-owned automakers in the U.S. made massive sales gains. Sales of U.S.-made Honda vehicles were up 76 percent at 47,296 and Toyota vehicles up 24.7 percent at 9,918.

Sales of imports from Britain's Rover group rose 34.5 percent to 18,983 while those from Germany's Volkswagen-Audi group expanded 39.2 percent to 34,621.

#### **Deregulation Urged To Improve Price Structure**

*952A0223A Tokyo SHOKUN in Japanese Dec 94 pp  
134-143*

[Article by Economic Planning Agency Planning Bureau  
Planning Officer Yutaka Harada]

[FBIS Translated Text] The possibility is coming of a grotesque future in which the entire automobile industry escapes abroad leaving the auto inspectors.

The overconfidence of the bubble era is gone and Japanese have lost their confidence and are dispirited. Despite the fact that during the bubble era people were saying the Japanese systems were all the best in the world, the tone of argument that suggests Japan is no longer any good has become the rule. Japanese-style employment is an obstacle in corporate restructuring, the finance system impedes the supply of funds to new industries, the educational system robs individuals of creative capacity, aging is draining the country of innovative people of talent and is causing the savings rate to plummet. Regulation has taken away corporate freedom and is becoming a barrier to diversified management strategy and the development of new products and services. Japan has fallen behind the United States in performing free and active corporate activities and will be driven to become a developing nation with low personnel expenses. Industries with international competitiveness are defecting and the only ones left in Japan will be the least efficient ones that have been protected by regulations. These points could probably be said to typify the recent vogue in self-perception concerning Japan's economy.



However, now of all times is a prime opportunity to analyze the current situation of Japan's economy once again with a cool head and consider some countermeasures.

In order to reasonably consider the performance of Japan's economy up to now, let us examine the Japanese economy by comparing it with Europe and the United States. In a comparison with Europe and the United States, the first thing that must be considered is employment. In Japan's economy, because employment problems have never become all that serious in the past, it was not necessarily treated as the number-one problem of the economy, but in Europe and the United States, employment is the number-one problem in the economy. Although there is comprehensive data that shows the average for Europe, here we will use West Germany (now Germany), whose performance is the best among the European states, as an example. Again, West Germany is the country with the least problems and it should be kept in mind that the average of the European states would show a worse condition.

When looking at the United States, the first thing that is focused on is that employment is rapidly expanding. Compared to 1960, it has nearly doubled by 1991 and is far greater than Japan at 50 percent higher and is higher than West Germany by 10 percent.

Moreover, the average unemployment rate has only increased from 5 percent in the 1960's to between 6 and 7 percent since the latter half of the 1980's. Even though Japan's unemployment rate is low as usual, it increased from 1 to 1.5 percent in the latter half of the 1960's to between 2 and 3 percent in the 1980's. In West Germany, the unemployment rate of less than 1 percent in 1960 rose to as high as 9 percent in the 1980's.

Although the U.S. performance is superior in the sense of having created employment, the rise in real wages is slack and, in fact, has even declined since the end of 1970's. Nevertheless, there are some theories about the reduction in real wages in the 1980's that suggest that the consumer price index which is used for establishing real wages, conversely, was over-evaluated. Even assuming this theory is correct, compared to the rise in Japan's and West Germany's real wages, there is no doubt that the U.S. level suffers by comparison. Compared to 1960, both Japan's wages and West Germany's wages rose by 2.5 times in 1991. In short, a summary of the economic performance of Japan, the United States, and West Germany shows that in the United States, employment has expanded and unemployment did not increase. However, real wages declined (or at least they did not rise). Although in West Germany employment has not expanded and the unemployment rate has risen significantly, real wages have increased. In the case of Japan, both employment and real wages climbed and the rise in the unemployment rate was kept to an insignificant amount. In light of these facts, therefore, should the performance of Japan's economy be commended? Probably not. If it were only to be commended, the pessimism

of the 1990's that suddenly materialized cannot be understood. Did these facts, which could even be described as the signs of pessimism, not exist in the past?

#### **The Unsolved Question of the Domestic, Foreign Price Difference**

Even assuming Japan's economic performance was wonderful, the 1970's was a period in which those economic distortions gradually appeared. The most significant symbol of this distortion was the domestic and foreign price difference. The domestic and foreign price difference is actually merely a problem that appeared recently. Viewed internationally, Japan's prices in the 1970's were low. In other words, there was a reverse domestic and overseas price gap. The reason this reverse domestic and overseas price difference became the domestic and overseas price difference of today is that although the productivity of the manufacturing industry improved, the productivity of other industries did not.

Manufacturing industry products can move through the world relatively easily and can be traded. In contrast to that, most nonmanufacturing industry products are unable to move freely. Because houses on properties cannot be traded, there is little that can be done if rent or payments which are the price of the house becomes high in Japan. However, a further extension of this is a distortion of regulations and the tax system. Irrational systems concerning land, such as the tax system, have made Japan's property use inefficient and has increased housing payments. (More on this matter will be omitted here because it is covered in Yutaka Harada's and Hiroyuki Inoue's *The Economics of Land and Housing*, Nippon Hyoronsha, 1991). Agricultural products, by nature, can be freely traded, but if imports of those products are limited, it is only natural that prices would become high. In Japan, not only land-related expenditures and agricultural products, but also processed foods, clothing, household goods, leisure expenses, dining expenses, construction expenses, and civil engineering projects are expensive.

If a specific industry is protected by regulations, the productivity of that industry drops and prices rise. In short, a domestic and overseas price difference is created. When Japan and West Germany are compared, the difference in productivity for each industry in Japan is greater than in West Germany. The reason the productivity of Japanese industry is low is that the import of agricultural products is restricted, and is an area with numerous regulations such as foodstuffs, construction, and transport and communications. The reason that the productivity of textiles and textile products is low is related to Large-Scale Retail Store Law regulations, but this matter will be covered at a later point. Actually, when an index is created of the extent that each industry is being regulated and when the relationship between productivity and that index is observed, there is a connection in that the more the industry is regulated the lower its productivity.



Naturally, the domestic and foreign price difference also has an aspect of occurring because Japanese are paying each other such high personnel expenses. By the beginning of the 1970's there was no domestic and foreign price difference. The reason, conversely, that there was a reverse price difference was because the personnel expenses of Japanese were low. When personnel expenses are low, even if distribution is complex and irrational, it only has a small effect in pushing up costs. In addition, the high personnel expenses in Japan are due to Japan having a more equal society than is the case in Europe and the United States. If society is unequal, wages for simple labor can be low and it is possible to lower the price of services.

Nevertheless, it is erroneous to overly stress the difference in personnel expenses. Viewing Japan's personnel expenses in perspective, because labor hours are short, especially compared to the nations of Europe, hourly wages are either the same or even lower. Therefore, the occurrence of a domestic and foreign price difference must be due to some sort of barriers in Japan. In fact, a graph on which each nation's domestic prices are expressed on the vertical axis and hourly wages are plotted on the horizontal axis would reveal a line with rising slope to the right, but Japan is much higher than the trend line. This is indicative of the fact that Japan's domestic and foreign price difference cannot be explained away by wage differences.

#### **Correlation Between Regulations and Personnel Expenses**

Further, apparently there are many personnel expense differences that can be explained which are related to regulations. This would apply, for instance, to gasoline prices. If the personnel expenses of people performing service at gasoline stations were high, Japan's gasoline would inevitably become correspondingly higher. Yet, if personnel expenses are high, an incentive should function to curtail the number of personnel. If the station is made self-service, it should be possible to cut down on personnel. However, it is not possible to make gasoline stations self-service due to Fire Services Act regulations. Therefore, the only way to be able to sell gasoline is by adding on personnel costs.

Japan's regulations are supposed to be heading in the direction of relaxation, and barriers related to trade are supposed to have been reduced as well. Nevertheless, why has the domestic and foreign price difference expanded?

Many restrictions have been compiled predicated on the fact that costs related to personnel expenses were low because Japan's personnel expenses were low. When personnel expenses were low, even though self-service gasoline stations could not be operated, it did not affect costs all that much. Because humans were cheaper than machines, there would not have been any self-service stations built anyway. But when personnel expenses became high, that cost became a big factor.

When automobiles were expensive, the personnel expenses of repair workers who performed automobile inspections were insignificant compared to the income of people who could purchase those cars. However, when the price of automobiles declined so that anyone became able to purchase automobiles, the expense of automobile inspections became exorbitantly expensive. The same restrictions have the effect of amplifying costs along with the rise of personnel expenses.

The most important thing in this regard are restrictions concerning the distribution industry. When personnel expenses were low, even though the distribution structure was complex, its cost was not significant. The extent of U.S. national textile goods protection such as duties and import quotas, at its national borders is greater than Japan's. Be that as it may, it is difficult to find textile products in the United States that are made in there. Although the extent of textile product protection at Japan's national borders is far weaker than in the United States, regardless of the latest events, it is easy to find textile products in Japan that were made in Japan. One might interpret this to mean that people in Japan's textile industry are better endowed with entrepreneurial spirit than in the United States. However, the most important element is the difference in the power of chain stores.

America's largest chain store, Walmart, has 3,000 outlets, but Japan's largest, Daiei, has only 360 stores. It is pointed out by Tokyo University Professor Motokazu Ito, that there is a 10-fold difference in sales capacity between 3,000 outlets and 360 outlets for the same item. When a chain store orders dress shirts, the price of the shirts between ordering 3,000 dozen and 360 dozen is totally different. There is an especially big difference when ordering from foreign countries. When ordering shirts from developing countries where labor costs are low, even though the labor costs are low, the costs of indicating what fabric is to be sewn, how it is to be sewn, as well as supervision and inspection become quite large. And those costs are pretty much fixed without being related to the quantity ordered. These fixed costs become quite significant in orders of fewer dozens. At that rate, what happens is that it is better to order from Japanese businesses. This is because with Japanese businesses orders can be made in a condition where both parties are well attuned to each other. Not being able to make multiple orders of the same item effectively becomes an import barrier, and ends up generating a domestic and foreign cost difference.

Conversely, if it were possible to place multiple orders for the same item, it would enable one to bring inexpensive textile products from developing countries with low wages. This is the strategy of Aoyama Trading in gentlemen's apparel and Cecile in mail order. They are attempting to lower costs by ordering from Southeast Asia and China and even from Eastern European nations and North Korea. Costs due to regulation, beginning with the distribution industry expand rapidly accompanying rising personnel costs, and it is a factor in domestic



and foreign cost difference despite fewer regulations. Of course, rapidly expanding costs are an index from which much profit can be obtained if those costs are curtailed. Also, the development of chain stores that advanced in spite of regulations has achieved a scale in which massive quantities may be ordered. "Price destruction" of such leading supermarkets and discounters as Daiei, etc., has occurred because cost has reached the critical point.

#### **Actualization of Latent Problems**

Further, the fact that there is a domestic and foreign price difference and Japan's nonmanufacturing industry sector prices are high is not necessarily due to these industrial sectors generating large profits and paying high wages. The reality is that prices are high because productivity is low and profit obtained by regulations is parceled out among numerous people. Also, the reality of numerous people having their income protected by regulations is a major factor that makes deregulation difficult.

Accompanying the rise in real wages, the cost of regulations is amplified. Nonetheless, Japan had become oblivious to this problem. In order to confirm the character of this problem once again, we take a look at social security benefits (including unemployment benefits) of Japan, the United States, and West Germany.

A look at social security benefits as a portion of GDP [gross domestic product] reveals that in West Germany, after going from 8 percent in the 1960's and exceeding 12 percent in the latter half of 1970's, there has been a declining trend since the mid-1980's. In the case of the United States, after staying at the 3-percent level in the 1960's, it increased during the latter half of the 1960's and reached 6 percent in the latter half of the 1970's, it has been holding steadily at around 7 percent up to the present. In Japan, it was at 2 percent in the 1960's, and it has continually increased since the 1970's, and in 1990, it approached West Germany's level at 8 percent.

In Japan, the idea that the social security benefit burden is light is a mere image of the past and realistically it is rapidly approaching the level of West Germany. While it is probably true that the foreign and domestic price difference protects employment in a certain sense and has reduced the burden of social security benefits, when one considers its cost it cannot possibly be described as having been successful. Moreover, the aging of society has been advancing inexorably and the burden of social security benefits will increase rapidly in the future. Will Japan's economy be able to withstand the burden of social security benefits in addition to the burden of the domestic and foreign price difference?

When the domestic and foreign price difference is discussed, many people are forgetting that it includes tax. Although Japan's consumption tax is only 3 percent, it is 8.25 percent in the United States (in the case of New York state tax), and Europe's value-added tax is even higher at 15 percent in Germany, 18.6 percent in France,

17.5 percent in Great Britain. If a comparison is made of the domestic and foreign price difference in which this tax is excluded, the actual domestic and foreign price difference would even be higher at approximately 30 percent.

When one thinks about it, if this 30-percent difference between domestic and foreign prices is left as it is, the big uproar over a 3-percent or 5-percent or 7-percent consumption tax is extremely strange. If the domestic and foreign price difference disappeared and the consumption tax were raised to 30 percent, it would be the same thing and the budget deficit problem could quickly be ameliorated. Because it is said that tax revenue per 1 percent of the consumption tax is 2.3 trillion yen (fiscal 1992), if it were permissible to charge a 30-percent consumption tax, it would mean there would be enough leeway for an increase in taxes of 69 trillion yen (the fiscal 1994 budget deficit was 13.6 trillion yen, combining 10.5 trillion yen in construction government bonds and 3.1 trillion yen in deficit financing government bonds). Of course, this is just to point out that such leeway to increase taxes exists and is not to say that such a thing should be done.

Or perhaps this should be interpreted to mean that the Japanese people are already paying a 30-percent consumption tax. To be sure, the difference in domestic and foreign prices protects Japanese employment and that may have made society safer. But does that merit a 30-percent value-added tax? Would it not be better instead to protect the stability of society by a 30-percent value-added tax? Or would it not have been possible to maintain social stability better than now by a lower value-added tax? Is not the cost of the employment maintenance policy by means of the domestic and foreign price difference becoming excessively high?

#### **Domestic and Foreign Price Difference and the Stability Maintenance System**

Revisionist (proponent of Japanese uniqueness theory) James Fallows writes, "Who is going to make an issue of high prices as long as everyone has a job?" (*Containing Japan*, TBS Britannica, 1989). Currently when the long-term stamina of the Japanese economy is in question and its employment-creating capacity is in doubt, it is interesting that dissatisfaction with the domestic and foreign price difference has gotten larger. Irritation at high prices has increased because of concern about one's own job.

The system of maintaining social stability via domestic and foreign price differences has reached its limit. The first reason for that is the fact that costs are too high. Second, there is an inability to adapt to new economic developments. Third, it does not engender true abundance for the people. Below is an explanation of these three reasons.

The first reason of high cost is not just to be taken in its economic sense. Even in the sense of protecting social fairness and impartiality, its performance is suspect.



Japan's employment maintenance policy is carried out under the convoy method in which even limited producers with the worst efficiency do not go bankrupt. As the most inefficient firms are weaklings, although it may be fair to protect them, if the most inefficient firms do not go under it means that the more efficient firms will generate surplus profit. Even considered from the standpoint of fairness and impartiality, this creates too much of a high cost burden for society.

In addition, the time has come for the departure of limited producers. The ratio of people over 65 among enterprise owners in industries with many regulations is mounting swiftly. Self-employed people in agriculture and distribution industries are aging, and their retirement is inevitable.

Further, the current social stability mechanism is not suited to the age of global competition. When capital moves freely throughout the world and moves production bases, manufacturing workers not protected by regulations have no means to counteract this. Meanwhile, regulated industries request even stronger regulations in their quest to maintain profits.

Workers in manufacturing industries unprotected by regulations either compete at a world labor cost or they have to maintain their real wages by their own techniques and skills that have validity in the world. However, people protected by regulations have attempted to protect their rank up to now by skills that are valid only in Japan with its regulations. This would mean that, even if the automobile plants disappear from Japan, the automobile inspection system would be maintained. This is the worst possible scenario for the hollowing out of Japanese industry. When firms that have supported Japanese economy in the past expand overseas and take their subcontractors with them, there is little meaning in just maintaining through regulations industries with low productivity. Not only the hollowing out of the manufacturing industry, but also the airline, tourism, and finance industries would advance so that even the real estate industry would become devoid of substance because there would be no tenants to fill offices in the major cities.

Also, since real wages have been protected by regulations up to now, those people who are not protected by regulations will probably demand regulations to obtain protection from international competition. This would become an interminable political struggle. Before this situation comes to pass, deregulation is necessary as soon as possible.

#### **Regulations That Cannot Catch Up With Development**

Second, as long as regulations are not relaxed, there will frequently be the inability to keep pace with new development. For instance, Japan is extremely far behind in the electronic communications industry. The rate of the spread of portable telephones in the United States is 4.2 percent, but it is 1.7 percent in Japan (1993). While the

rate of cable television membership is 55.8 percent in the United States, it is a mere 5.4 percent (1992) in Japan. This is due to the fact that various regulations regarding communications and broadcasting have impeded development in these fields. Japan will probably not catch up in multimedia either, which is currently a major topic.

Multimedia refers a new medium that fuses information and communication and manages characters, sound, and video in an integrated fashion. Personal computers are able to freely handle these media and, once they become interconnected in a fiber optic network, the condition of processing and having access to information will change radically. However, with the old system of regulation, the development of multimedia will be impossible. According to a Telecommunications Council report (May 1994) by the Ministry of Posts and Telecommunication, the commencement of such new businesses as video on demand (a service which will make it possible to see any video one desires from a household terminal), television shopping, and electronic newspapers and publishing are anticipated; however, the birth of these services is impossible with the current communications fees.

That is to say, any of these services include, visual data, etc., and because a quantity of information in excess of g (giga = 1.0 billion) bits must be transmitted (the amount of information transmitted by the ordinary telephone is about 64 kilobits), and if that enormous amount of information were to be transmitted with the present telephone fees, it would come to a massive communications fee. For instance, the fee to view one movie by video on demand would calculate to be more than 30,000 yen. Although it would vary according to the type of service, these services will not be developed unless communications fees decrease by at least between 1 to 3 decimal places.

Technically, it would not be impossible to reduce communications fees to 1/1,000 of what they are. As has been shown in the estimate by the Ministry of Posts and Telecommunications ("Investigative Research Report Concerning Wide-Area ISDN [integrated services digital network]," 1992) the preparation cost for a fiber optic network would be roughly two to four times the amount of the current exchange and transmission system, however, the cost performance of an optic network would be more than 2,000 times the current technology. By doing this, it would become possible to set future fee levels much lower than current communications fees.

In order to realize this, it is necessary to make extensive changes to Japan's regulated communications fee system. In fact, the fee regulations should be abandoned to make it possible for firms to freely set fees and find new applications for electronic communications services. Even at the present time, the ratio of Japan's electronic communications industry with respect to GDP is 1.3 percent, which is about half that for the United States, which is 2.7 percent (1991). This is



because various regulations have hindered free management strategies of firms and slowed development. What is necessary for the actualization of multimedia companies is not just laying a fiber optic network, but finding several geniuses to think of ways for people to use 10,000 extra electronic communications services whose price has been reduced to 1/1,000.

#### **Improving Standard of Living and the Regulatory System**

Third, the present regulatory system will not bring true abundance. Restrictions generate domestic and foreign price differences and create a society in which basic goods such as food and housing, are expensive and, moreover, luxury items related to leisure activities are also expensive. Because the price of basic goods is high, the poor people become poorer and when those people who have earned a slight surplus try to enjoy leisure activities, it is too expensive. The reason Japan is called a middle-class society is also because of the result that both poor people and well-off people are hurt due to the domestic and foreign price difference.

Also, as was seen with the electronic communications industry, an economy that does not use the free ideas of the people will stagnate. Amid world competition, the Japanese economy, which has been able to catch up and surpass as it has, will end up being the one being caught up with and surpassed. It is time to discard the complacency of the past. I am not concerned about free firms discarding their complacency. This is because firms compete from day to day in international markets. It soon becomes apparent when things are not going well. However, firms that are protected by regulations may not be able to bring themselves to discard their complacency. Since they are not competing globally, they will not know the difference between complacency and confidence that has validity in the world.

Finally, I will introduce a fact that seems useful for the purpose of discarding complacency. It is to be expected that there will be domestic and foreign price differences and reverse domestic and foreign price differences among the NIE's [newly industrializing economies] and developing nations. An investigation of per capita GDP measured by the prices of goods and services of the nations of the world for which data can be gathered revealed that, although Japan's per capita GDP measured in exchange-rate dollars is larger than Hong Kong and Singapore, per capita GDP when measured according to the consumer purchasing power average that takes into account the domestic and foreign price difference is smaller than in Hong Kong and Singapore. This means that Japanese consumers are even poorer than the consumers of Hong Kong and Singapore.

Now is the time to discard complacency. And that is not a difficult thing. Japan in 1945 discarded its complacency because of its defeat in the war. By virtue of having done so, it was able to develop as it has to this day. In 1990 as well, Japan was defeated by the United States. We should be aware that we have lost to Singapore and Hong Kong as well.

In the 1960's, Prime Minister Hayato Ikeda, who implemented high-growth strategies, from his experience in his work in the controlled administration after the war and during the war as a Finance Ministry bureaucrat, wrote, "Utilizing the originality and ingenuity of the individual is not only the best method from the standpoint of looking to efficient economic development, it is the basis of democracy which respects individual freedom. Under 'controls' (emphasis added by author), men of integrity often see foolishness and will speak up, whether it is achievement, honor, or fate" (*Balanced Finance*, Jitsugyo no Nihonsha, 1952). If the word "control" is substituted with "regulation," the same thing would be applicable to the present situation.

Prime Minister Ikeda abolished controls, extolled the originality and ingenuity of the individual, and staged the high-growth economy. It should be possible to do the same thing again today.

We look at data ("Review of Income and Wealth," No. 4, December 1993) prepared by U.S. Croningen University [as transliterated] Professor Dirk Pilat concerning how much the difference in a comparison of labor productivity between each industry in Japan and the United States has contracted historically. In 1929, when the productivity of Japanese industry is compared to the productivity of U.S. industry, in agriculture, mining, manufacturing, and construction it was approximately 10 to 20 percent of U.S. productivity. In transport and telecommunications, electrical, gas, and water services industries, Japanese productivity was about 40 percent to 60 percent of U.S. productivity. The reason that productivity in transport and communication, electrical, gas, and water services was relatively high is likely due to the introduction of the newest technologies from Europe and the United States. However, subsequently, over a 60-year period, although the productivity gap between Japan's manufacturing industry and the U.S. manufacturing industry disappeared, the productivity of other Japanese industries other than the manufacturing industries remain as low as before, and the relative productivity of the transport and communication, electrical, gas and water industries dropped instead. Productivity of the agricultural, forestry, and fishery industries in 1990 was 10 percent of those of the United States. Productivity in the construction industry was just under 80 percent, and productivity of the transportation and communications and electrical gas and water industries is 40 percent. This is because various regulations have impeded a rise in the productivity of these industries. If there had been no regulations, there is no doubt that these industries would have had an increase in productivity in the same way as the manufacturing industry.

Even the wonderful economic development accomplished by Japan after the war had various problems. The employment maintenance system that did not accompany fiscal expenditures sacrificed the rise in productivity of the nonmanufacturing industry sector. This was also the prime mover in the domestic and



foreign price difference. Nevertheless, like it or not, the impact of aging will increase the financial burden. Japan's economy will probably not be able withstand the dual burden of the domestic and foreign price difference and taxation. The system of regulations that created the employment maintenance system obstructed the creation of new businesses and, even though employment was protected in the past, it will probably mean sacrificing new employment. It is time to encourage the freedom, initiative, and experimentation of people, to stimulate new businesses, and to dissolve the domestic and foreign price differences through deregulation.

#### **The Prosperity and Extinction of the Pterodactyl**

The pterodactyl, a dinosaur that could fly through the air, appeared 220 million years ago. It gradually became larger, and some enormous animals appeared which had a total wing span of 12 meters. On the earth at that time, a weak, tepid wind was constantly blowing. In order to capture enough air to fly around the sky and prey on fish in the ocean, the larger it became, its weight per unit of wing area became smaller for its convenience. However, 65 million years ago when the pterodactyl was still flying about in a lordly manner, a massive meteor 10 kilometers in diameter slammed into the earth. Due to the explosion caused by the collision, the earth was enshrouded by dust which blocked the sunlight and the earth entered a long winter. The enormous pterodactyl, which was unable to flap its wings strongly because the muscles in his chest were so weak, was unable to fly in the rain and strong winds and became unable to catch his prey. Surviving was the archaeopteryx which lived concealed in the forest. This ancestor of the bird had feathered wings instead of a thin membrane, and could maintain his body temperature and fly around in the forest. The muscles in its chest strengthened as it desperately searched for food and it withstood the long winter. The pterodactyl, which was a superior life form in a warm wind, died out, unable to adapt to the changing environment.

The factors in both the prosperity and the extinction of the pterodactyl are the same. By adapting so that it would be at an advantage in a warm wind, it became unable to withstand a violent change in the environment. The secret of success is having the capacity to adapt to the environment and is not the aspect of adaptation itself. In the bubble era, many people praised the Japanese system, but this self-praise should not have been for the system itself, but for the capability to create a system in response to the environment. Currently, the capability of the Japanese economy to transform its system is being questioned.

#### **Political Leaders View Security, Constitution**

*OW1301044295 Tokyo MAINICHI SHIMBUN in Japanese 9 Jan 95 Morning Edition p 2*

[Interview by Political Desk Editor Shigetada Ishii with leaders of political parties on the issues concerning security and constitutional revision; place and date not given]

[FBIS Translated Text] **Mr. Tsutomu Hata, vice president of the New Frontier Party [NFP] on Not Putting a Taboo on the Issue; the Need For Debate**

There are various opinions on the issue of seeking a permanent seat on the UN Security Council [UNSC]. There are some who criticize the permanent members of the UNSC for being "tyrannical superpowers." If such criticism is true, Japan needs to act for small nations. Rather than obtaining a permanent membership after reform of the United Nations, Japan should join the permanent members in order to change the organization.

This year marks the 50th anniversary of the end of World War II, and it is necessary to appraise the war. At the same time, we have to hand down to posterity the view that a war costs great sacrifices of life and is meaningless. By doing so, we can speak to the international community, particularly to nations in Southeast Asia. Regarding the issue of revising the Constitution, I believe there should be discussions on this topic. The preamble of the Constitution stipulates that Japan desires to occupy an honored place in international society. Construing the Constitution to suit ourselves is problematic. It is important to debate this. We should not put a taboo on the Constitutional issue. I am not an advocate of military expansion. But without a debate on the issue, it is impossible to keep civilian control.

**Mr. Shusui Tanaka, Acting Head of Sakigake [Harbinger] on the Need To Expand PKO While Promoting Disarmament**

I recognize that there are loopholes in the Constitution and that in some areas, the Constitution does not meet current needs. But many parts of the Constitution are meaningful in dealing with the present situation. I think it's time to develop its ideals in the international community. I am more an advocate of "evolving the Constitution" than protecting it.

The post-Gulf War United Nations is beginning to function smoothly. The United Nations should carry out UN peacekeeping operations [PKO] while tightening regulations on arms exports and promoting disarmament. However, the UN is not moving in that direction. If arms exports are not regulated, danger will increase, and PKO activity will not be effective. Japan should take the lead in speaking out to the international community.

While promoting overall disarmament, it is necessary to create something akin to a world police force. However,



nuclear abolition and total disarmament are prerequisites to the creation of such a force. We need to improve PKO with great care as a precursor to the future police force. For that purpose, it is necessary to decrease the dangers to PKO.

**Mr. Keizo Obuchi, Vice President of the Liberal Democratic Party [LDP] on the Need To Change What Should Be Changed**

It is difficult to define a strategy for revising the Constitution. There is a wide range of views: From those who call for radically revising Article 9 of the Constitution to those who want to correct its entire composition.

The NFP proposes a Constitutional debate. Because some NFP members call for immediate revision of the Constitution while others maintain the need for debate on what needs to be revised, I cannot understand what the NFP's position is.

Mr. Masajuro Shiokawa, chairman of the LDP Research Commission on the Constitution, points out: "The Constitution has both 'immutable' parts that should not be changed and 'fashionable' parts that should be changed." Many LDP members share the same view, and I also support his view.

Generally, the people think revising the Constitution will lead to expanding the military. Keeping this in mind, Mr. Shintaro Ishihara [an advocate of Constitutional revision] proposes studying the possibility of revising articles, with the exception of Article 9. It seems that within the NFP, there is a view calling for reviewing Article 9 on the grounds that rewriting it within certain limitations would prevent an expanded interpretation of the Constitution and military expansion.

**Mr. Wataru Kubo, general secretary of the Social Democratic Party of Japan "Creating the Constitution" While Affirming Its Ideals**

Taking advantage of the opportunity of the 50th anniversary of the end of World War II, Japan is entering a new era. In this context, the value of the Constitution has been rediscovered. I cannot find any political parties or politicians proposing a concrete plan to revise the Constitution. I think the Constitution has taken root among the people fairly well. I do not think the idea of revising the Constitution aimed at making it fit the current situation, which does not meet the Constitution's ideals, will win the people's support. It is possible to come up with a way of revising the Constitution in terms of affirming and embodying its ideals.

I think that if Japan gives more priority to a UN decision than the Constitution in the wake of the possible acquisition of permanent UNSC membership, it will fall into self-contradiction. Japan should spell out a clear-cut stand of carrying out its activities under the United Nations only within the framework of the Constitution. If obtaining a permanent seat would make it difficult for

Japan to act within the framework of the Constitution, Japan should take a cautious approach in getting a permanent seat.

**Government Decides on Tax Reform Plan for FY95**

*OW1301022195 Tokyo KYODO in English 0117 GMT 13 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—The government decided Friday [13 January] on a tax reform platform for fiscal 1995 starting April 1, government officials said.

The reform plan, endorsed at the day's cabinet meeting, is based on the ruling coalition's tax reform outline and recommendations by the tax commission, an advisory panel to the prime minister, both of which were presented on Dec. 15.

The plan includes easing and abolition of special tax treatments, which are expected to increase tax revenues by 47 billion yen during fiscal 1995 and by 63 billion yen annually thereafter, the officials said.

It includes some reductions, such as a cut from 30 percent to 25 percent in the tax rate on gains of 40 million yen or less from the sale of land owned for a certain minimum period.

The platform expands the scope of existing tax breaks and tax-free areas in the land value tax, which was introduced in 1992 to control surging land prices. The taxable value of certain parking lots has been cut by half.

The tax reductions embodied in the platform are expected to decrease tax revenues by 19 billion yen in fiscal 1995 and by 24 billion yen a year thereafter, the officials said.

With the combined effects of the tax reform plan, tax revenues are predicted to grow by 28 billion yen for fiscal 1995 and 39 billion yen yearly thereafter, they said.

The government will now start compiling a reform bill package, including a local tax reform plan prepared by the ministry of home affairs, to present to an ordinary Diet session starting Jan. 20.

**Government To End Salt Monopoly in FY96**

*OW1201130495 Tokyo KYODO in English 0904 GMT 12 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 12 KYODO—The government plans to end its 90-year monopoly on salt production and marketing in fiscal 1996, officials said Thursday [12 January].

The Finance Ministry-backed Japan Tobacco Inc. (JT) currently controls the salt business through a system to designate companies for salt production and marketing.



Under a new system, any company in principle will be allowed to engage in salt production and marketing after registering with the government, the officials said. However, a JT-affiliated nonprofit organization will continue to control business for table salt for home and restaurant use to ensure stable supplies to outlying areas and distant islands, the officials said.

The decontrol on salt business has been proposed as part of a program to abolish or merge some government-backed corporations.

Japan consumes about 9 million tons of salt a year, importing about 7.2 million tons, the officials said.

Most of the salt is used as an industrial material and only 370,000 tons is used for table salt, the officials said.

### **Opposition Shinshinto Leader To Visit U.S.**

*OW1301090495 Tokyo KYODO in English 0847 GMT  
13 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—Ichiro Ozawa, a key strategist of Japan's largest opposition party, said Friday [13 January] he will visit the United States for four days from Saturday to attend a symposium to be held in California.

Speaking at a press conference, the secretary general of Shinshinto (New Frontier Party) said he will brief participants at the symposium on the current situation of politics in Japan and future prospects.

The 51-year-old Ozawa said he intends to introduce his own party, the result of a merger of nine opposition parties last December, when he meets with U.S. politicians at the symposium.

The symposium, to be sponsored by Stanford University, will bring together such prominent people as Sen. Bill Bradley, former U.S. Ambassador to Japan Michael Armacost and former U.S. Secretary of State George Shultz.

Prominent political leaders from other Asia-Pacific nations such as China, Australia and the Association of Southeast Asian Nations will also attend the symposium.

Ozawa visited the U.S. last July and October and returned home via Europe, spawning speculation that he might have been treated at a hospital for a chronic heart disease.

Ozawa is slated to return home Tuesday afternoon.

### **LDP To Seek Stronger Ties With Labor Unions**

*OW1301045095 Tokyo KYODO in English 0417 GMT  
13 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—The Liberal Democratic Party (LDP), part of the ruling coalition, decided Friday [13 January] on the draft of its

party action program for 1995 that says the party will aim to strengthen ties with labor unions, party officials said.

The draft is due to be officially endorsed at a regular party convention next Thursday. The party will also celebrate its 40th anniversary at the convention.

The draft policies say the LDP must "change apolitical people into supporters" of the party so that it can have overwhelming victories at upcoming elections.

The draft lists "scholars, intellectuals, showfolk, sports figures and labor union officials" as people from whom the LDP needs support in addition to its usual supporters in industrial circles.

It also emphasizes labor unions as being especially important for the party.

It says the party "has made some mistakes" in the past because it has become "arrogant" from the long years of its administration and the party needs to reform itself because it "has not fully recovered public trust."

Regarding the current partnership with the Social Democratic Party (SDP) and New Party Sakigake, the draft admits the matchup gave "considerable puzzlement" to the public, but says the LDP's "choice was not wrong" because the combination led to the SDP's transformation into a realist.

The draft strongly criticizes Shinshinto (New Frontier Party), a newly formed opposition, for being a "mere patchwork of nine political groups."

It also says the LDP will aim to help Japan win a permanent seat on the UN Security Council and will reconsider the UN peacekeeping cooperation law to strengthen Japan's manpower contributions in the field.

The LDP also announced Friday it has nearly 2.8 million members as of the end of December. This figure is some 52,000 greater than the number at the end of September.

### **Takemura Hints at SDPJ-Sakigake Alliance in Diet**

*OW1301143895 Tokyo KYODO in English 1414 GMT  
13 Jan 95*

[FBIS Transcribed Text] Kuala Lumpur, Jan. 13 KYODO—Two of Japan's three ruling parties, the Social Democratic Party [of Japan] (SDP) [SDPJ] and New Party Sakigake [Harbinger], will soon begin discussing the feasibility of merging their parliamentary blocs, Sakigake head and Finance Minister Masayoshi Takemura said Friday [13 January].

In an interview with KYODO NEWS SERVICE in Malaysia where he was visiting, Takemura said SDPJ Chairman and Prime Minister Tomiichi Murayama has taken a positive stand on an SDPJ-Sakigake alliance.



After returning to Japan on Sunday, Takemura will soon ask Murayama and SDPJ Secretary General Wataru Kubo for their opinions on the issue, said the leader of Sakigake, an LDP splinter party.

Takemura wants to hold discussions between the two smaller coalition partners about how they can cooperate, he said.

The finance minister said he also wants to meet Sadao Yamahana, head of the New Democratic League (NDL), a rebel group within the SDPJ.

Yamahana notified the SDPJ on Friday that he and 23 other NDL members will leave the SDPJ's parliamentary bloc Monday to form their own Diet group.

Takemura criticized the NDL members, saying he cannot understand why they are leaving the SDPJ while simultaneously continuing to support the Murayama government.

Takemura denied the possibility of an early cabinet reshuffle and dissolution of the House of Representatives.

Takemura said the Finance Ministry will promote streamlining of its affiliate corporations with no exceptions, and the measures may include their abolition and privatization.

Japan Development Bank, for example, is under the jurisdiction of the ministry and has been cited among possible targets for the streamlining program.

#### **SDPJ Members, NFP To Cooperate in General Election**

*OW1301013895 Tokyo MAINICHI SHIMBUN in Japanese 12 Jan 95 Morning Edition p 2*

[Unattributed article: "NFP and New Democratic League Secretly Move Toward Cooperating in the House of Representatives Election"]

[FBIS Translated Text] The dietmembers of the Democratic Liberal League [DLL] in the Social Democratic Party of Japan [SDPJ], who are poised to bolt the party and take part in the "Preparatory Committee for the New Democratic Liberal Party [NDLP]," are moving secretly to cooperate with the New Frontier Party [NFP] in the next House of Representatives election.

Sadao Yamahana, chairman of the league, insists that their "goal is to form a third political pole which is neither the Liberal Democratic Party [LDP] nor the NFP," but many of the members—given peculiar conditions of their new constituencies or because of their relations with supporting trade unions—appear to be betting their survival in the general election on cooperation with the NFP.

Some in the camp of the ruling parties charge that "the NDLP will be nothing but a detachment of the NFP" (according to an LDP official). But in view of the fact

that many DLL members would be competing with NFP members in the same electoral constituencies, the NFP's election campaign committee decided in a staff meeting on 9 January that if DLL members bolt the SDPJ, the NFP should offer to cooperate with them in the election by removing its own candidates to different electoral districts or to a proportional representation constituency.

According to an official of the NFP election campaign committee, committee officials, for instance, began contacting Kanju Sato, vice chairman of the DLL (and former home minister), secretly late last year. In the case of Sato, who wants to run from the Aichi No. 9 District, he will have to compete with NFP President Toshiki Kaifu in the election as it is, and an official of the NFP election campaign committee said that "if in fact Sato chooses to leave the SDPJ, we will ask Kaifu to run in the proportional representation constituency under the party rule that party president-level people should run from proportional representation constituencies." Kaifu himself has not given up the hope of running from a single-seat electoral district, and there is also the problem of negotiating with Tetsuma Esaki of the NFP on the question of who should run in that district. But the election campaign committee official asserted that "there have already been cases of getting some party candidates informally agreeing to running in the proportional representation constituencies."

Such moves for election cooperation are making progress in Hyogo Prefecture and Nagano Prefecture, and the NFP wants to work on all chapters across the country to cooperate.

The NFP originally had planned to announce the first list of about 120 candidates who would run from single-seat districts where there will be no intraparty competition, but the plan has been put off until the end of February out of the desire to "open the door to dietmembers who leave the SDPJ" (according to a senior party official).

On the other hand, however, among the people participating in the preparatory committee for the NDLP there is a lower house dietman, Tatsuo Kawabata, who is currently a member of the NFP, and according to an NLL official, "there are now possibilities that some former Democratic Socialist Party members will leave the NFP to join the new party. In other words, for the NFP, this [the move to form a new party] is "a double-edged sword." Meanwhile, an NLL official indicated the people of the NLL would be happy to "see some political upheavals happen to shake up the Murayama government," but there are no scandals or any other leads to drive the government into a difficult spot. Another league official said there are also those who say: "We can think about cooperating with the NFP when the time arrives to form a coalition to take over the government."



### Further on Formation of New Diet Group

OW1201141995 Tokyo KYODO in English 1412 GMT  
12 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 12 KYODO—About 35 lawmakers from the ruling Social Democratic Party (SDP) [SDPJ—Social Democratic Party of Japan] and the opposition camp will form a new parliamentary group Monday [16 January] to pave the way for a new party, a preparatory panel decided Thursday.

Sadao Yamahana, head of the New Democratic League (NDL), a rebel group within the SDP, and three opposition lawmakers decided to hold a general assembly meeting of the planned parliamentary group Monday and register the group Tuesday with both houses of the Diet, meeting sources said.

They also decided to name the planned parliamentary group Minshu Rengo (Democratic League), the sources said.

Yamahana and the three others—Tatsuo Kawabata of the opposition alliance Shinshinto (New Frontier Party), Banri Kaieda of the New Democratic Club and Takashi Awamori of the Democratic Reform Party—launched the preparatory forum Jan. 6.

The planned Monday general assembly meeting will discuss who will be the officers of the parliamentary group, they said.

The NDL had aimed at establishing a new party before an ordinary Diet session convenes Jan. 20, but the four dietmen gave up that timeline in favor of forming the party in February, they said.

The SDP has a total of 138 seats in both houses of the Diet, of which 29 will leave the party's parliamentary group and join a new one, meeting sources said. The planned Diet forum will also group about six opposition legislators, they said.

The 29 are members of the NDL, which is said to have grouped some 60 SDP lawmakers, and include Yamahana, former SDP Chairman Makoto Tanabe, former SDP Secretary General Hirotaka Akamatsu and former Home Affairs Minister Kanju Sato, they said.

Yamahana will meet SDP Secretary General Wataru Kubo on Friday, give him the list of the names of NDL members joining the preparatory panel and explain that they will form a new parliamentary group, sources from the panel said.

After Kubo confirms the intentions of those named and receives notice from them that they will leave the SDP parliamentary group, the party's central executive committee will discuss Jan. 19 at the latest whether the SDP should expel the dissidents, party sources said.

The SDP forms the ruling coalition with the Liberal Democratic Party (LDP), its long-time ideological foe, and LDP splinter group New Party Sakigake.

LDP executives said Thursday the ruling alliance should expel SDP rebels from the ruling camp if they leave the SDP's parliamentary group and launch one of their own, LDP sources said.

The NDL has advocated that the SDP hurry to dissolve itself and gather Japan's "democratic and liberal" forces together to rival Japan's two conservative parties—the LDP and the opposition Shinshinto.

### SDPJ Leaders Concerned Over Rift Within Party

OW1301042795 Tokyo KYODO in English 0353 GMT  
13 Jan 95

["News Focus: Election Concerns Spawn SDPJ Rift"—KYODO headline]

[FBIS Transcribed Text] Tokyo, Jan. 13 KYODO—Prime Minister Tomiichi Murayama is not known as a triskaidekaphobe, someone who fears the number 13, but the date of his return from a Washington summit with U.S. President Bill Clinton may be ominous enough to the Social Democratic Party (SDP) chairman.

Undoubtedly, Murayama cannot enjoy the luxury of a repose after a high-tension meeting with Clinton since his own party is on fire.

An SDP rebel group led by Murayama's predecessor Sadao Yamahana is already on the move with its plan to walk out of the party and create a new one, thereby throwing the party into a turmoil that could fatally undermine the six-month old Murayama government.

Secretary General Wataru Kubo and other SDP executives are making compromise-seeking efforts to prod the Yamahana group into backpedaling on their rebellion, but the rift seems to have widened to the point that it is no longer bridgeable.

"I think we have lost Mr. Yamahana," one senior SDP member said.

The former party chairman decided Thursday [12 January] to initiate a new Diet bloc next week with 30 supporters including 24 SDP legislators as the first step to the new party.

Murayama suggested in Washington their possible expulsion, criticizing their "rash and immature" actions.

But an expulsion of some 30 members would no doubt be a double-edged sword for the party that could cut deep into Murayama's power base.

"We cannot afford to kick them all out," another SDP official said.

If the 17 SDP Lower House members joining Yamahana's new Diet bloc leave the party, it would whittle down coalition's 35-seat working majority in the crucial lower house to a weak 18-seat majority. The SDP currently has 70 members in the 511-seat lower house.



Political pundits agree Yamahana is in such haste to launch the new party because of growing concerns about the forthcoming elections.

Yamahana last month warned that if the SDP enters into election campaigns before the political metamorphosis it could suffer big defeats in both unified local elections in April and the House of Councillors election in July.

He voiced alarm about the resurging support among the people for the Liberal Democratic Party (LDP), the SDP's key partner in the three-party ruling coalition but also its long-standing foe in the Cold War period.

"The LDP is coming back overwhelmingly," he said in a speech last month.

Weighing heavy on the minds of Yamahana and his followers is the glum prospect that they will have to fight against the powerful LDP election machine in many of the newly created single-seat constituencies if the House of Representatives is resolved and a general election is held.

Many political analysts predict a disastrous SDP defeat in a general election, which is widely expected to come by the end of the year.

The SDP decided Thursday to hold a Party Congress on Feb. 11 to discuss the new party issues and their possible launch after April's local elections.

Yamahana fears that unless the party conference is held much earlier, as early as possible before the campaign drives for the local elections get into full swing, the inauguration of the new party will be delayed until after the July upper house polls.

Murayama and his supporters prefer in contrast to take more time in formulating policy lines and action programs for the SDP offspring.

The discord within the party is over the timeframe for the plan, with the creation of a new "liberal and democratic" party firmly on the official SDP agenda, but Yamahana is unable to budge because a delay here could lead to his downfall, SDP sources said.

What provided a strong thrust to the Yamahana group's fugue was the inauguration early last month of Shinshinto (New Frontier Party), the grand opposition party, analysts said.

Shinshinto officials currently working on the list of candidates for the single-seat Lower House election are reportedly dropping hints to the SDP rebels that they could support them in dozens of constituencies if they leave the SDP.

Many Yamahana followers seem inclined to opt to join hands with Shinshinto instead of battling the LDP juggernaut as SDP candidates, party insiders said.

Some insiders also pointed to Yamahana's deep-seated grudge against his successor, who came into the spotlight

because he was at the party's top position when it struck a coalition deal with the LDP last June, making the 70-year-old SDP chairman Japan's first socialist prime minister in 47 years.

Yamahana, currently without a party position, resigned in disgrace as party chairman in September 1993, when the party was part of the ruling coalition under former Prime Minister Morihiro Hosokawa, after July's crushing setback in the general election.

Shinshinto, which aims to grab back the reigning power from the current ruling coalition by absorbing SDP defectors, has made no efforts to hide its desire to see a SDP split.

Former Prime Minister Tsutomu Hata, Shinshinto's deputy head, voiced a loud hurrah for Yamahana last month.

"The SDP would be of no value to us if the Yamahana group really goes on a separate path to Murayama," Taro Aso, LDP deputy secretary general, said in a recent magazine article.

#### **SDPJ Defector Ito Bids for Hokkaido Governorship**

*OW1301103195 Tokyo KYODO in English 1019 GMT  
13 Jan 95*

[FBIS Transcribed Text] Sapporo, Jan. 13 KYODO—Hideko Ito, a House of Representatives lawmaker who has recently bolted from the ruling coalition partner Social Democratic Party [of Japan] (SDP) [SDPJ], officially declared Friday [13 January] that she will run in the Hokkaido governorship race in April.

Meeting reporters in Sapporo on Japan's northernmost main island of Hokkaido, Ito, 51, said she aims at creating local politics that reflects the voice of residents. The dietwoman said she will not stick to the framework of political parties.

Local chapters of the SDPJ's two coalition partners—the Liberal Democratic Party (LDP) and New Party Sakigake [Harbinger]—plus the opposition Liberal League have decided to support Ito in the poll. Two other candidates have also expressed their intention to run.

The SDPJ, along with the new opposition party Shinshinto (New Frontier Party) and Rengo Hokkaido, an affiliate of the Japanese Trade Union Confederation (Rengo), backs Tatsuya Hori, 59, a former vice governor of Hokkaido.

The opposition Japanese Communist Party supports Motoo Kai, 47, an executive of a local medical care association.

Since 1990, Ito has run twice on the SDPJ ticket for the lower house and won.

The SDPJ decided to expel Ito earlier this week after she expressed her intent to run for the governorship with



LDP support in defiance of the SDPJ's support for Hori. She notified the party then that she was leaving.

Incumbent Hokkaido Gov. Takahiro Yokomichi, 53, has said he will not run for another term and signaled his readiness to return to national politics. Yokomichi backs Hori.

**\* New Democratic League, Komeito Paths Viewed**  
952B0051A Tokyo SEIKAI SHUNJU in Japanese Dec 94 pp 40-43

[Article by Takashi Ino, journalist: "Baffling Policies of the New Democratic League and Komeito; Their Unexplainable Intentions and Deep Designs"]

[FBIS Translated Text] *The move of the New Democratic League [Shinminren] is aimed at realizing a new rally of political forces. However, Shinminren says that it has no desire to leave the Social Democratic Party of Japan [SDPJ], and so its direction, not to speak of its present political address, is just a little short of being perfectly clear. Further baffling is Komeito's policy of participating in the new-new party. It is unclear whether the policy is a means of "defending" Soka Gakkai [Komeito's major support base] as is widely rumored. It is also unclear as usual whether the policy also sets a coalition with the Liberal Democratic Party [LDP] as a target within its range.*

**New Democratic League Is "Group Within Party," and So Leaving Party Is Adventurous, Betraying Act**

The SDPJ's conference of responsible persons held in late October to discuss national election measures laid bare the agonies of the party and showed the party's actual condition, which might be characterized by symptoms of disruption.

The party has the following groups: a group which attaches importance to the coalition of the three parties—the LDP, SDPJ, and Sakigake; a group which would like to shift the party's focal point to rallying non-LDP liberal factions within the SDPJ and the Democratic Socialist Party [DSP]; and a group of members who, though small in number, desire to participate in the formation of the new-new party. Embracing these groups, it is difficult for the party to decide measures and policies for the election in which the whole party should fight in unity. Drawing attention under these intraparty conditions are the moves of the New Democratic League represented by former party Chairman Sadao Yamahana.

The New Democratic League is a political group whose range of activity covers the whole nation. Accordingly, party members who look upon it as a group "surpassing the status of a faction" are seen existing in all factions. Although it has not yet reached the stage of having its own headquarters and holding full-time workers, its action is, to be sure, aimed at forming a new political party. As Mr. Yamahana says, it has a clear goal of

rallying a third force opposing the two conservative parties (the LDP and the new-new party), that is, uniting liberal factions within the SDPJ and the DSP.

However, among 70 or so members of the group (lower and upper house members), not a few persons are strongly opposed to splitting the party or departing the party en masse, which will weaken the foundation of the Murayama government.

Eight major separate industrial federations of unions (critical to the Murayama government) under Rengo [National Confederation of Trade Unions] maneuvered earlier secretly to lay a foundation for uniting SDPJ-DSP liberal factions by having Mr. Yamahana rally right and center-right factions around him and leave the party and by getting those factions joined by the DSP's "lawmakers within the Rengo organization" and the Democratic Reform Parliamentary Group. However, many viewed that the time was not quite ripe for the scheme.

When such a scheme causes a dissolution of the government, there will be a stern inquiry as to where the responsibility lies. It will certainly give rise to a friction between the eight federations and other separate industrial federations which support the Murayama government. Furthermore, the faction within the DSP which looks forward to the formation of the new-new party will not align itself with the scheme. Let us suppose that the Diet members leaving the SDPJ are as many as nearly half the total party members and that they are augmented by members of Sakigake [Harbinger] and the Democratic New Party Club. The total number still will not reach 80. Much depends on the time of the dissolution, but will they be able to organize a setup capable of fighting in opposition to the LDP and the new-new party? Therefore, it is reckless to leave the party and then form a new party.

The request to this end by the eight separate industrial federations of unions was unreasonable in terms of its timing as well. Mr. Yamahana could not but be hesitant about the request although he was told that "we will back you up including fund assistance if you leave the party." Journalists who knew this situation well took lightly of this request. Mr. Yamahana reportedly said very recently to his close friend that "it is adventurous to split and leave the party, and I cannot perform an act of betrayal against the SDPJ at present."

**There Is No Blueprint for Rallying Liberal Factions; Impossible To Rally Forces After Defeat in Unified Local Elections**

An existence opposing New Democratic League is the "Forum To Support the Murayama Government and Promote the SDPJ-DSP Liberal Politics" (about 60 Diet members) formed by left and center-left factions. Mr. Sekisuke Nakanishi, its representative, speaking at its meeting held in mid-October, criticized that the New Democratic League was groping for election cooperation with opposition parties. Moreover, he also expressed his



dissatisfaction with the remarks and actions of Secretary General Kubo who was said to be the New Democratic League's "behind-the-scenes staff officer." Mr. Nakanishi claimed that Secretary General Kubo's "early Diet dissolution" remarks, though they were meant to create an environment favorable for the formation of a new SDPJ-DSP liberal party, would weaken the foundation of the SSPJ-headed cabinet."

Under the circumstances where the SDPJ will reportedly find it hard to preserve the current number of seats in next year's unified local elections and the upper house election of half its members, the only means for the party to maintain the status quo while supporting the Murayama government is to transform its entire structure into that of a new party. If the SDPJ considers the need to offset a new-new party boom to be created by its formation, the party should work out a blueprint for a new SDPJ-led liberal SDPJ-DSP party by January next year at the latest. One of the prospective candidates for the head of the party is Hokkaido Governor Takahiro Yokomichi.

However, it is very unlikely that Sakigake and the DSP will take part in such a risky scheme resembling a tightrope feat. Nevertheless, Mr. Yamahana, General Secretary Kubo, and others appear to cherish the illusion that they can bring the DSP back to their side through the medium of separate industrial federations supporting the DSP, such as the Japanese Federation of Textile, Garment, Chemical, Mercantile, and Allied Industry Workers' Unions, the Federation of Electric Workers' Unions of Japan, and the Confederation of Japan Automobile Workers' Unions.

The DSP is to disband on 9 December and set up the "Democratic Socialist Association," a political organization designed to build a network for continuous activities, maintain relations with the Council of Supporting Labor Unions, and assist auxiliary organs. The DSP has already crossed the Rubicon.

Nevertheless, Mr. Yamahana and others intend to finalize their new party plan within this year and then call for rallying forces around the new party, but Chairman Yonezawa leading the DSP says: "The SDPJ's action is late by two weeks or three weeks. The DSP cannot turn back in the present condition."

By the way, information is spreading that four or five lower house members of the New Democratic League will participate in the new-new party. There is also a move by former Diet members who failed in the previous general election to induce other Diet members to leave the party together. In short, the party's footing is unstable.

Among unified local elections, the elections for the Hokkaido Assembly, prefectural assemblies, and designated city assemblies are the first hurdles to leap over in the election struggle, and the SDPJ candidates are expected to have tough contests. If the party suffers

defeat, the outlook of the bid to rally the SDPJ-DSP liberal factions will lose luster to a considerable extent. That is not all. The defeat will surely have a great effect on the measures for the upper house election. Assuming such a change in the situation, how will the New Democratic League's "new party plan" tide it over? It is difficult to provide a steering compass in this regard.

#### **Undeniable "Union of Religion and Politics" Utterance; Soka Gakkai Not Supporting New-New Party**

In the case of Komeito, it is easy to understand the course it will take, compared with the "unclear course" of the "New Democratic League." Especially, right or wrong, the contents of the "union of religion and politics" utterance by Soka Gakkai Honorary Chairman Daisaku Ikeda, the party's virtual leader, are comprehensible. For example, the policy of bisecting the party is to be decided at Komeito's dissolution convention (5 December). Participating in the new-new party will be only 62 persons made up of lower house members and upper house members to be reelected next year. The others are to remain in the present Komeito. That is, joining in the new-new party will be carried out under a two-stage formula, and all these circumspect measures are steps approved by Mr. Ikeda.

Weekly journals and evening papers consider these measures to be aimed at "protecting from the outside" Mr. Ikeda and the party's parent body, Soka Gakkai. As many as 99 percent of the party members are the followers of Soka Gakkai, the Nichiren orthodox sect. Therefore, though it is called a "public political party," in reality it is Soka Gakkai's political department. It is natural that the party should seek the approval and understanding of Mr. Ikeda who is at its top. At a gathering for off-the-record talks with reporters held (14 September) for the first time in three years, Mr. Ikeda declared: "I will not stop concerning myself in politics in the future as well. To realize our creed, we require political power. We founded Komeito for this purpose." This is an utterance revealing anew his position on the inseparable relations between religion and politics rather than simply their union.

Mr. Ikeda's close associate and Soka Gakkai Vice Chairman (Isao) Nozaki told an ASAHI SHIMBUN reporter on 12 October that with regard to measures to cope with the national election, "in some cases, we may give priority in our support to individual persons, including LDP members." One month ago, the vice chairman also made the following remark: "Following the inauguration of the new-new party, we will reconsider our policy of supporting only one party—Komeito. Our party support cannot but take on a different shape" (YOMIURI SHIMBUN 23 October). It was in May that Soka Gakkai Chairman Einosuke Akiya expressed the view that "we cannot but reconsider our policy of supporting only Komeito."

It was Mr. Ikeda who corroboratively endorsed these remarks by supreme leaders. In short, their remarks



represent Soka Gakkai's real intentions. In this respect, former Komeito Chairman Junya Yano said in his memoirs that "as to the new-new party, it has neither human nor religious connections with us." He further said that "if we support the party simply to oppose the LDP and the 1955 system, we must say that the basis for the support is weak and that it is a matter of course to "liberalize our support for political parties."

However, Mr. Yano also says that Soka Gakkai will come up against a dilemma.

**Can Party Members Support Other Party Candidates?  
Organization Cannot Be Moved in Its Entirety Into  
New Party**

Let us suppose that Soka Gakkai supports only former Komeito-affiliated candidates in the new party. In such a case, it is easy to imagine that former Shinseito [Japan Renewal Party] and former DSP members in the new party will unfailingly raise clamorous voices saying that they see no merit of having formed the new party. Then, if Soka Gakkai supports those candidates, it will have to stand against ruling parties—the LDP, the SDPJ, and Sakigake—and will continuously be subjected to their harassments one way or another.

Soka Gakkai will thus come up against what Mr. Yano calls a "dilemma."

Can Komeito participate in the new-new party in its entirety except its property and its auxiliary organs? Viewed from its political circumstances and internal conditions, to defend itself effectively Soka Gakkai has no choice but to "distribute its votes" of support between former Komeito-affiliated candidates and candidates from other parties—60 percent for the former and 40 percent for the latter.

One of Soka Gakkai's internal conditions concerns Komeito's membership. Of 220,000 members, over 210,000 are Soka Gakkai followers. Let us suppose that these followers are put into the new party and that the new party, which these followers belong to, puts up a former Shinseito member as its candidate. Let us also suppose that this Shinseito member's rival is an LDP candidate recommended by Soka Gakkai. In such a case, who on earth should these followers support?

In the process of joining the new party, it will be nonsensical and impossible to expect that Komeito alone is allowed to register only the number of its joining members and keep their names a secret.

Even if Komeito divides itself into "Komeito" and "Komeito's new party sect" and its local assembly and party members enter the new party after unified local elections, the aforementioned problem remains in the upper house election and the expected general election.

Soka Gakkai's "giving priority to individual persons" will endanger the election of former Komeito-affiliated candidates and may cause Soka Gakkai followers

enrolled in the new party to lose their support base as a consequence. If Soka Gakkai and Komeito are taking these measures despite their recognition of such risks, their essence as a group of believers will be called into question. We can understand these measures if they are all "acts aimed at defending Honorary Chairman Ikeda." Nevertheless, such an aim means putting politics above religion, and so it not only contradicts the creed of the Nichiren orthodox sect, but also will induce the two organizations to deviate repeatedly for a long term in the future.

Omens of this are the moves by the corps of Tokyo Metropolitan Assembly members of Komeito over the candidate for the metropolitan governor. In the previous election, it went into opposition to Suzuki, but after the election it was transformed into a "ruling party." It is plotting to support a candidate on the LDP-Komeito initiative in the upcoming election. When a religious group approved by the metropolitan governor intends to widen the range of its propagation toward the world, the group requires the approval of the education minister. It is easier for Soka Gakkai and Komeito to bring the metropolis under their control than is the government. Komeito is the second-largest party in Tokyo.

A person concerned is reported to have said that it would take about six years for Komeito to settle up all things and move its entire organization into the new party. Therefore, it is natural that the party should delay the participation by its local forces. However, the party has not clarified when the local forces will later merge with the new party and, in that case, whether they will participate in their entirety or partially.

**\* Low Support Rate for Political Parties Noted**

*952B0068A Tokyo SANDE MAINICHI in Japanese 11  
Dec 94 pp 42-43*

[Article by Soichiro Taharaz: "SANDE MAINICHI  
Commentary: No Party Supported Under New system"]

[FBIS Translated Text] On 21 November, tying into the introduction of a small electoral district system, the law passed which demarcates lower house districts. This rounds out the set of laws bearing on political reform, so that it could also be called the general finishing up of political reform.

Ironically, six years ago on 21 November former Recruit Company president Hiromasa Ezoe, as well as the former administrative vice minister of education, the former administrative vice minister of labor, and others who had accepted transfers of Recruit stock were summoned to the National Diet as witnesses.

Then, with the factional bosses of the Liberal Democratic Party [LDP] corrupted as a group, this Recruit incident which greatly rocked political circles became itself the trigger for political reform.



The medium-sized electoral district system which, except for a period right after the war, was the system that had lasted since the introduction of universal suffrage in 1925, was "the first venture in the history of Japan's electoral system since 1889," as LDP vice president Obuchi says.

The catchphrase under which the single-seat district system has been introduced is, above all, "getting rid of money-soaked corrupt politics."

Under the medium-sized electoral district system, to become a ruling party, that is, to take a majority in the National Diet, multiple candidates must stand from a single electoral district. If candidates of the same party vie with each other, it of course is not a matter of policy differences, but becomes a contest over services to the electoral district as each tries to amass votes by buying them, treating the voters, etc., thus making it a money-soaked election. In that, the small electoral district system is one in which each candidate represents his party, since only one can be elected from each electoral district. They compete by stressing ideas and policies and so make their differences clear. In short, this electoral system reform is the key to moving toward elections (politics) based on political parties and centered on policies without costing lots of money.

How ironic it is that, despite that, the Social Democratic Party of Japan (SDPJ) and particularly its secretary general, Murayama, had been expected to be not only very negative but even opposed to the small electoral district system, and now the redistricting law has been passed and laws bearing on political reform have been finalized with him as prime minister.

Might that be the reason, then, that one feels a bit cool when they emphasize its importance—that it is "the first venture in the history of Japan's electoral system since 1889" and that it is "epoch-making"? Even when they enthuse that it will mean "elections based on political parties and centered on policies," somehow it seems to fall rather flat.

Why is that?

We have some deeply interesting figures here. They are the support rates that the Jiji Press has found for each party month by month since November 1991, when the LDP's Miyazawa cabinet began, up through the Miyazawa cabinet.

What particularly catches one's eye among these are the figures for "support no party." In the survey for this November, it is 55.4 percent, a majority of enfranchised persons expressing a "nay" for all parties, regardless of whether they are ruling or opposition parties.

This is an expression of the voters' strong coolness toward present-day politics and is a truly terrible figure.

#### **Constantly Dragging Each Other Down Without Even Debating Policies**

Incidentally, "support no party" stood at 30.0 percent when the Miyazawa cabinet began (November 1991);

and with Miyazawa's fall in popularity, it increased to 33 percent (April 1992), 35.2 percent (October 1992) and 36.9 percent (December 1992), and going up to 38.1 percent in its final stage in May 1992. Yet, in July when Miyazawa's LDP cabinet collapsed and general elections were held, "support no party" took a big drop to 29.9 percent. Of course, the reductions and proportional support for such established parties as the LDP and the SDPJ (LDP: minus 6.1 percent; SDPJ: minus 0.8 percent) shifted to the Japan New Party, Shinseito, Sakigake [Harbinger], and so on, so that on the whole voter interest in politics had risen sharply.

Then, as the Hosokawa cabinet began having such problems as the national welfare tax and the drama of dumping chief cabinet secretary Takemura, "support no party" rose into the upper 30-percent range and hit 40.3 percent for the Hata cabinet. When the coalition regime of the LDP-SDPJ-Sakigake coalition came along, that leaped in one bound by more than 10 percent to 52.2 percent, and then even went to 55.4 percent in November.

Voters rightly understand that the coalition regime of the LDP, SDPJ, and Sakigake resulted from the LDP forcefully dragging in the SDPJ merely because of a desire for power, and from the bait of the prime ministerial post letting the SDPJ become easily drawn in and converted to the LDP. They also have perceived that the New Frontier Party raising its banners in December lacks a vital cause and actually has no policy differences with the ruling parties.

As they watched the present Diet session, too, they saw no impressive debates over policy between the ruling and opposition parties as each constantly dragged the other down.

However they may assert that "the small electoral district system will mean elections fought over policies and not costing money, it cannot measure up to expectations with there being no vital policy differences between the LDP, SDPJ, and the New Frontier Party. That being the case, since electoral districts will be smaller, making electoral contests intense and detailed, might not material resources become even more telling than in the past—that is, cost money—resulting in elections where dragging each other down is the only thing bitterly contested? The strong apprehensions about that, even the rejection of that, gives the frightful figure of 55.4 percent that "support no party."

#### **\* Editorial on Voter 'Indifference to Politics'**

952B0072A Tokyo YOMIURI SHIMBUN in Japanese  
29 Nov 94 p 3

[Editorial: "Look Straight at Voters' Indifference to Political Parties"]

[FBIS Translated Text] "When we take a look at present political parties, the way they steer politics is unclear, that is, it is unclear in what direction they intend to lead



Japan or what kind of country they aim to achieve, and we cannot see any differences among their ideals and policies."

This is the view of irritated eligible voters revealed in a nationwide opinion poll conducted by YOMIURI SHIMBUN on 19 and 20 November. Discontent and anger at politics accelerate voters' indifference to politics.

Showing this is the existence of a mass of eligible voters accounting for 44 percent who do not support any particular party. Chief reasons for this indifference to political parties are their bargaining in disregard of the people's interests, their futile internal conflicts, and their almost identical ideals and policies.

The discontent at politics can also be read in low expectations for political restructuring as shown in the poll, as well as the increase in the number of people who do not support any particular party.

We can no longer neglect this reality in which eligible voters' indifference to political parties and politics is accelerating. Both ruling and opposition parties should look this reality in the face and make all efforts to make voters retain their interest in politics.

What do voters seek from political parties and politicians? Of course they seek political renovation, realization of democratic politics, and leadership and action; however, more than anything else, they seek the "realization of stable politics," according to their answers. This is also what politicians should keep in mind.

According to figures revealed in the recent opinion polls conducted by this newspaper company, those supporting no particular parties roughly accounted for the 30 percent level under the rule of the Miyazawa regime of the Liberal Democratic Party [LDP] and under the rule of the non-LDP Hosokawa coalition. However, they rose to the level of 40 percent under the Hata regime. Under the Murayama regime they maintained the lower half of the 40 percent level and are now showing a further increasing trend.

The increase in the rate of people who support no particular party is conspicuous in the bracket of urban salaried workers in their forties, but it is now spreading to all layers of voters, indicating that this problem is deep-rooted.

As the answers in the opinion poll indicate, the voters' indifference to political parties is attributable to ruling and opposition parties' bargaining devoid of arguments on ideals and policies and conflicts within respective camps.

To remove these causes, it is necessary for each party to clearly put forward its own unique ideals and policies and present them to voters to choose from.

The New Frontier Party which is to be inaugurated on 10 December will uphold "liberty, fairness, friendship, and

living together" as its fundamental ideals, while the "New Democratic Association," a policy group of the Social Democratic Party of Japan, is calling for "peace, liberty, fairness, and solidarity."

As long as their fundamental ideals are concerned, it is not clear where the two sides differ. No wonder eligible voters will be puzzled.

It is easy to uphold ideals such as "liberty," "fairness," and "peace"; however, they will end in "empty prayers" unless concrete policies, procedures, the course of action to realize them are not shown.

"How will you promote deregulation?" "How are you going to rectify the ratio of direct and indirect taxes?" "To what extent will you allow our country to participate in UN peacekeeping operations?" "Is the current Constitution good enough? If it needs to be amended, what should be revised?" Political parties and politicians are obligated to answer these questions posed by eligible voters.

It is not easy to induce voters to turn their faces toward politics, but this is the responsibility of political parties and politicians. They should first search their own souls before deploring voters' indifference to political parties.

#### KYODO Carries Table of Diet Strength

OW1201095295 Tokyo KYODO in English 0900 GMT  
12 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 12 KYODO—The following is a table of parliamentary strength in the House of Representatives following the departure of two Social Democratic Party [SDPJ—Social Democratic Party of Japan] members from the party—Hideko Ito and Tatsukuni Komari—on Thursday [12 January].

House of Representatives	
Ruling Coalition	
LDP	200
SDPJ	70
New Party Sakigake	21
Opposition	
Shinshinto	178
JCP	15
Liberal League	8
New Democratic Club	4
Independents	12
Vacancies	3
Total	511

[LDP—Liberal Democratic Party; SDPJ—Social Democratic Party of Japan; New Party Sakigake—Harbinger; Shinshinto—New Frontier Party; JCP—Japan Communist Party]



**North Korea****Daily Decries U.S. 'Conservative Hard-Liners'***SK1301045195 Pyongyang KCNA in English 0442  
GMT 13 Jan 95*

["Unjustifiable Behaviour of Conservative Hardliners of U.S."—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—NODONG SINMUN today carries a commentary headlined "Unjustifiable Behaviour".

Noting that three months have elapsed since the adoption of the DPRK-U.S. agreed framework, the news analyst says:

We are sincerely implementing what we should do according to the agreed framework between the DPRK and the United States. In our opinion the U.S. side is also carrying out what it should do according to the agreement. But some conservative hardliners of the United States are making a fuss, alleging that the implementation of the DPRK-U.S. agreed framework should be reconsidered or stopped following the recent case of downed U.S. military helicopter.

As far as the U.S. copter case is concerned, the DPRK took a just self-defensive step against the helicopter's intrusion into the airspace of the DPRK.

It is an independent right of a sovereign state to take a self-defensive step against any encroachment upon its own territory, airspace and waters and it is justifiable in view of international law and the law of the DPRK. There can be no issue to be taken on the U.S. military copter case.

The U.S. side admitted the illegal intrusion of the U.S. military helicopter into the airspace of the DPRK and expressed a sincere apology for this.

If some conservative hardliners of the United States could distinguish between right and wrong but a little, they should have expressed thanks to the DPRK Government for its leniency and humanitarianism over the U.S. military helicopter case and taken a courteous approach to it.

This notwithstanding, they are trying to find faults with the DPRK over the U.S. copter case, acting with no elementary conscience and obligation.

The U.S. copter case has been settled and can never affect the implementation of the DPRK-U.S. agreed framework.

The train has begun to run along its track. To implement the DPRK-U.S. agreed framework today is an international trend beyond the scope of the DPRK and the United States. It is a foolish attempt for some persons to try to stop it.

Even if the call of some conservative hardliners for breaking the framework agreement with the DPRK becomes the official position of the United States, we have nothing to fear. We would go our own way.

**U.S., ROK Reportedly Conduct 'War Exercises'***SK1301043895 Pyongyang KCNA in English 0430  
GMT 13 Jan 95*

["Surprise Strike Exercises and Aerial Espionage Against North"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—The U.S. imperialist warmaniacs Wednesday committed a round of long-distance air strike exercise as part of the never-ceasing war exercises against the North staged by them together with the South Korean puppets from the beginning of the year.

That day an overseas-based E-3 AWACs spied on the aerial and ground objects of the North in the sky above Chonan, South Korea, and called out the flying corps for an exercise of striking them. And then ten odd assault planes from bases in the Pacific region bombed the pinpoint targets in the sky above Asan bay of South Korea.

This is an act of provocation aimed at examining the long-distance flights of the carrier-based flying corps into the operational theatre from their bases in the Pacific region and the capacity of a surprise strike at the strategic targets in the eastern and western coasts of the northern half of Korea.

Six spy planes of various types including the U-2 high-altitude strategic reconnaissance plane committed espionage in the sky above an area near the Military Demarcation Line on the same day and an overseas-based P-3 patrol plane in the skies above Kangrung and the Tokjok islet, South Korea, in the period from January 8 to 10.

On the 11th of January, the South Korean puppets brought armed bandits and recoilless guns and military vehicles into the Demilitarized Zone in the central sector of the front and committed military provocations against the north.

The U.S. imperialist warmaniacs and the South Korean puppets must stop act rashly, clearly mindful of the grave consequences that the unending war exercises and provocations will entail.

**South Warned Against Committing 'War Hysterics'***SK1301044595 Pyongyang KCNA in English 0425  
GMT 13 Jan 95*

["Bellicose 'Directive No. 1'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—Yi Yang-ho, puppet Defence Minister, in



"Directive No. 1" to the "commanding officers" of the puppet army issued Wednesday a "special order" to take a "perfect combat posture" and "do everything in utmost energy to cope with an unexpected situation", a Seoul-based radio said.

This is a very dangerous act, which sends the situation on the Korean peninsula back to a critical phase of confrontation and war. Lurking behind it is a sinister intention of the puppets to put the brake on the implementation of the agreed framework between the DPRK and the U.S., drive the inter-Korean relations from bad to worse this year and get the green light for unleashing a war against the North.

The outcries of the puppets about the fictitious "North's threat of military provocations" and "strategy of communising the South" are a mucky rigmarole aimed at justifying the "directive" for their war provocations.

Yi Yang-ho cried out for "guaranteeing the deployment in time of the U.S. quick reaction forces" in case of a crisis on the Korean peninsula and "developing the system of South Korea-U.S. joint manoeuvres." This betrayed to the full the ulterior intention of the puppets to prevail over the North by force of arms backed by outside forces.

All this is a clear proof of the war hysterics of the Kim Yong-sam group trying to plunge the nation into the holocaust of war.

If the Kim Yong-sam warmaniacs continue to seek an adventurous war, ignoring the repeated warnings of the North, they will have to pay dearly for it and meet self-destruction.

### **ROK's Opposition to Peace Agreement Criticized**

SK1301102595 *Pyongyang KCNA in English* 1019  
GMT 13 Jan 95

["Obstructive Moves Against New Peace Mechanism"—  
KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—MINJU CHOSON today denounces the South Korean puppets for balking at the establishment of a new peace mechanism in the Korean peninsula.

The analyst says:

When it was reported that the Democratic People's Republic of Korea and the United States agreed to continue military contacts after a U.S. Army helicopter was shot down in the territorial air of the DPRK at the end of last year, the traitor Kim Yong-sam made a phone call to the United States, complaining that South Korea was "left out" in the establishment of a new peace mechanism. Entering the new year, he let the spokesman for the puppet Foreign Ministry blare that South Korea would "oppose" the North's having direct talks with the United States, "excluding" South Korea.

Such an act of the puppets is nothing but an officious interference. What they seek is to poke their nose into the establishment of a new peace mechanism now under discussion between the DPRK and the U.S. and turn it into an issue of the North-South relations at any cost. But this cannot go down with anyone.

The South Korean puppets are not in a position to squeeze themselves into the establishment of a new peace mechanism. With neither real power nor independence, they are imprudently trying to poke their nose into other's affairs, forgetful of their position. They will only make themselves a target of accusing fingers of the world people.

It is the DPRK and the U.S. that signed the Korean Armistice Agreement. The United States has its Armed Forces in South Korea and virtually holds the operational control of the South Korean puppet army through the U.S.-South Korea "Combined Forces Command." So, only when a new peace mechanism is established between the DPRK and the U.S. in the Korean peninsula, can a durable and comprehensive peace be ensured.

The South Korean rulers had better watch how the establishment of a new peace mechanism progresses between the DPRK and the U.S., instead of trying to get their hand in this issue and laying obstacles to its resolution.

### **Kim Yong-sam Group Said 'Aggravating Tensions'**

SK1301030395 *Pyongyang Korean Central*  
*Broadcasting Network in Korean* 1225 GMT 12 Jan 95

[Commentary by Yun Pyong-son: "Why Do They Aggravate Tensions?"]

[FBIS Translated Text] The puppet Kim Yong-sam clique is running counter to the national aspiration for reunification, further aggravating tensions with confrontation and war maneuvers.

According to reports, on 10 January the puppets, along with U.S. warmongers, staged a joint aerial war exercise for northward invasion aimed at carrying out an in-depth sudden preemptive strike against strategic targets in the northern half of the Republic, mobilizing hundreds of fighter planes.

Meanwhile, on the same day, the puppets conducted a grave military provocation, bringing military vehicles filled with machine guns and ammunition boxes, as well as hundreds of armed rascals, into an area near the Military Demarcation Line [MDL] in the Demilitarized Zone [DMZ]. They also brought a group of armored cars and guns into front areas and conducted a missile firing exercise against our targets, mobilizing armed helicopters.

The puppets' frenzied engagement in the northward invading war maneuver is well shown by the single fact that the number of armed rascals they have brought into



the DMZ for 10 days since the beginning of this year has reached almost 4,000 and that of military vehicles has reached some 700.

This war maneuver and military provocations in areas near the MDL, which have become all the more unscrupulous, are a deliberate and calculated maneuver that clearly shows the puppets' intention to continue their pursuance of confrontation and war this year, too.

As everyone knows, it is the puppet Kim Yong-sam clique's unchanged ambition to realize reunification by defeating communism through war. To achieve this adventurous ambition, the puppets have already mapped out a plan for a war of northward invasion. While increasing the production of domestic military supplies, they have brought a large quantity of ultra-modern war equipment, such as Patriot missiles and F-16 fighter bombers, from foreign countries and plans to continue to bring them in.

The puppets appropriated 11,074.4 billion won [\$13.505 billion] for this year's military budget, a substantial increase from last year. From the very beginning of the year, they have been accelerating modernization and reinforcement of the puppet army, stressing the need to raise strong troops and to strengthen the substantiality of the Army.

The only remaining work for the puppets, who have made all preparations for a war of northward invasion, is to light the fuse of war by aggravating tensions. The worthless war exercises constantly waged by the Kim Yong-sam ring and its repeated military provocations in areas near the MDL in the DMZ, which extremely agitate us, are an extension of this maneuver. This proves that the traitorous Kim Yong-sam clique, which pursues confrontation and war, is desperately trying to ignite a war against fellow countrymen.

The 50th anniversary of the national division by the outside forces will be marked this year. Reunification of the fatherland, which all the people earnestly desire, can never be achieved through confrontation and war. Reunification of Korea can be realized only by achieving national reconciliation and unity after removing political and military confrontation between the North and the South.

It is a prerequisite [songyol chogon] of peaceful reunification of the country to prevent danger of war and guarantee real peace and security on the Korean peninsula. Notwithstanding, the Kim Yong-sam ring is trying to achieve an insidious goal while aggravating tensions and amplifying the danger of war. This is, however, a silly delusion of those who neither know the national aspiration nor have a sense of reality.

Those who like to play with fire eventually die in the fire they ignite. If the puppets indiscreetly run wild, like a new-born puppy who is too young to be afraid of a tiger, they would never survive. The Kim Yong-sam ring

should give deep thought to the grave aftermath that will follow its maneuver of aggravating tensions and had better not recklessly run wild.

#### **SPA Chairman Meets With New Czech Ambassador**

*SK1301104395 Pyongyang KCNA in English 1030 GMT 13 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—Yang Hyong-sop, chairman of the Supreme People's Assembly [SPA] of the DPRK, met and had a conversation with Josef Fass [spelling of name as received], new Czech ambassador to Korea, at the Mansudae Assembly Hall on January 13 when the latter paid a courtesy call on him.

#### **Pak Song-chol Meets With New Czech Ambassador**

*SK1201222295 Pyongyang KCNA in English 1516 GMT 12 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 12 (KCNA)—New Czech ambassador to Korea Josef Fass [spelling of name as received] presented his credentials to Vice-president Pak Song-chol at the Mansudae Assembly Hall today.

Vice-minister of Foreign Affairs Yi In-kyu and an official of the Czech Embassy were present there.

After receiving his credentials, Pak Song-chol conversed with the ambassador.

#### **Kim Yong-nam Meets Czech, Outgoing Swiss Envoys**

*SK1201222195 Pyongyang KCNA in English 1514 GMT 12 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 12 (KCNA)—Vice-premier and Foreign Minister Kim Yong-nam today separately met and conversed with new Czech Ambassador to Korea Josef Fass [spelling of name as received] and outgoing Swiss Ambassador Erwin Schurtenberger.

#### **Swiss Envoy Hosts Reception Marking Relations**

*SK1301050295 Pyongyang KCNA in English 0436 GMT 13 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—Erwin Schurten Berger, Swiss Ambassador to Korea, hosted a reception Thursday in celebration of the 20th anniversary of the opening of diplomatic relations between Korea and Switzerland.

Invited to the reception were Yi In-kyu, vice-minister of Foreign Affairs, Kim Chong-u, vice-chairman of the State External Economic Affairs Commission, Kim Yong-su, vice-chairman of the Committee for Cultural



Relations With Foreign Countries and chairman of the Korea-Switzerland Friendship Association, and other personages concerned.

Speeches were exchanged at the reception.

#### **Paper on Anniversary of Relations With Tanzania**

*SK1301104295 Pyongyang KCNA in English 1029  
GMT 13 Jan 95*

[“30 Years of Friendship”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—MINJU CHOSON today observes the 30th anniversary of the establishment of diplomatic relations between Korea and Tanzania.

The paper in a by-lined article points out that many achievements have been registered by the governments and peoples of the two countries in the building of a new society, supporting each other in the last 30 years since the opening of diplomatic ties between Korea and Tanzania on January 13, 1965.

It notes:

The Tanzanian people who won the independence of the country after putting an end to the colonial rule of the imperialists through a protracted struggle are making active efforts to build an independent new society, maintaining their line.

The Tanzanian Government, pursuing a non-aligned foreign policy, strives to develop friendly and cooperative relations with all the countries of the world and establish a fair international economic order.

The Korean people sincerely rejoice at the achievements made by the Tanzanian people in the building of a new society and express support and solidarity for their cause.

Our people believe that the friendly relations between Korea and Tanzania will continue to grow stronger and develop in conformity with the ideal of independence, peace and friendship as in the past, so in the future, too.

#### **Officials Attend Reception for Visiting Troupe**

*SK1301050395 Pyongyang KCNA in English 0434  
GMT 13 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—A reception was given in the name of the great leader Marshal Kim Chong-il at the Mongnan House on Thursday in honor of the visiting art troupe of Korean school children in Japan.

Present at the reception were Kim Yong-sun, secretary of the Central Committee of the Workers' Party of Korea, Choe Yong-hae, chairman of the Central Committee of the League of Socialist Working Youth of Korea, Kim Su-ik, director of the general bureau for the reception of overseas compatriots, and other officials concerned.

The Korean school children's art troupe in Japan headed by Kim Won-hwan, deputy director of the education department of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), who participated in the new year's performance and school children in Pyongyang were present there.

The reception was addressed by Kim Yong-sun and Kim Won-hwan.

A joint art performance was given by school children of Chongnyon and those in Pyongyang at the reception.

#### **Chongnyon Activists' Meeting in Tokyo Reported**

*SK1301114095 Pyongyang Korean Central  
Broadcasting Network in Korean 2115 GMT 11 Jan 95*

[FBIS Translated Text] On 10 January, activists of the General Association of Korean Residents in Japan [Chongnyon] held a central meeting at the Korean Cultural Hall in Tokyo to more properly implement Chongnyon's tasks for 1995, thus upholding the New Year's congratulatory message sent by the respected and beloved General Kim Chong-il. Pictures of the great leader Generalissimo Kim Il-song and the great leader [yongdoja] Marshal Kim Chong-il were displayed in front of the meeting place.

Present were Chongnyon functionaries and Korean residents in Japan, including Yi Chin-kyu, first vice chairman of the Chongnyon Central Standing Committee; Ho Chong-man, responsible vice chairman; Vice Chairmen Pak Chae-no, So Man-sul, Kwon Sun-hwi, Paek Han-ki, Choe Pyong-cho, and Pae Pyong-tu; general secretaries and directors of the Secretariat; responsible functionaries of workshops [saopche] of affiliated organizations; and chairmen of the Chongnyon Headquarters in the Kanto region.

Prior to the meeting, all participants paid their respect to the memory of the great leader Generalissimo Kim Il-song. The meeting began with a chorus of songs on General Kim Il-song and the dear leader Comrade Kim Chong-il. Responsible Vice Chairman Ho Chong-man read the New Year's congratulatory message sent by the respected and beloved General Kim Chong-il to Chairman Han Tok-su.

First Vice Chairman Yi Chin-kyu delivered a speech at the meeting. He said: “We have greeted the hopeful new year of 1995, a year in which we can effect a new upturn in the glorious road to achieve the chuche cause, never forgetting 1994. This year, for the first time in the history of the Chongnyon patriotic movement, we who have conducted patriotic work with passionate feeling [kyok-tongdoen simjonguro] by upholding the teachings given by the great leader Generalissimo Kim Il-song in his New Year's congratulatory message every year, have received the New Year's congratulatory message in the esteemed name of the respected and beloved General Kim Chong-il. The New Year's congratulatory message personally



sent by the respected and beloved General Kim Chong-il is a programmatic guideline for vigorously leading us to continuously strengthen and develop Chongnyon into a patriotic organization that is endlessly loyal to the socialist fatherland, as well as to carry out the sacred cause to glorify the leader's [suryong] immortal leadership achievements gained in the patriotic movement generation after generation, upholding forever the great leader [suryong]."

He respectively extended the best glory [choedaeui yonggwang] and the New Year's warmest greetings to the respected and beloved General Kim Chong-il, the great leader [yongdoja] of our people, bearing a feeling of boundless admiration and loyalty for all Chongnyon functionaries and Korean residents in Japan.

He stated that we would mark the 40th anniversary of the founding of Chongnyon this year, and that we would hold the 17th plenary session of Chongnyon, which would build a new milestone for the history of the movement by Korean residents in Japan. He added that all Chongnyon activists should unanimously rise in carrying out Chongnyon's patriotic work with the slogan of loyalty and patriotism "Let us glorify 1995, which marks the 50th anniversary of the fatherland liberation and the 40th anniversary of Chongnyon's founding, as the most significant year in the history of the movement by the Korean residents in Japan," thus firmly cherishing deep in their hearts the respected and beloved general's historic New Year's greeting. He also talked about this year's tasks.

A letter to the respected and beloved General Kim Chong-il was adopted at the meeting amid the enthusiastic applause of all participants. The meeting ended with the playing of the Patriotic Song.

### **Chongnyon Rally Adopts Letter to Kim Chong-il**

*SK1301091095 Pyongyang Korean Central  
Broadcasting Network in Korean 2200 GMT 11 Jan 95*

[FBIS Translated Text] A letter to the respected and beloved General Kim Chong-il, the great leader [widaehan yongdoja] of our people, was adopted amid the enthusiastic applause of the participants of the central activists meeting of the General Association of Koreans Residing in Japan [Chongnyon] held to more properly implement their tasks for 1995, upholding the New Year's congratulatory message sent by Kim Chong-il. The letter reads:

We respectfully send this letter to the respected and beloved General Kim Chong-il, the great leader [yongdoja] of our people.

Greeting the New Year of hope which will effect a new turn in the glorious course of achieving the chuche revolutionary cause, we have held the Chongnyon central activists meeting to more properly implement Chongnyon's tasks for 1995.

Receiving the congratulatory message that you, the respected and beloved general, sent to Comrade Han Tok-su, chairman of the Chongnyon Central Standing Committee, on the morning of the New Year, the first time in the history of the movement of Koreans in Japan, our hearts furiously burned with infinite glory and deep gratitude as well as with feelings of thanks toward you.

In the New Year's congratulatory message, you, the respected and beloved general, highly appraised the success attained last year by Chongnyon functionaries and Korean compatriots in Japan in their patriotic work to firmly defend Chongnyon organizations and achieve the fatherland's reunification, enrichment, and development by bravely smashing the vicious maneuvers by reactionaries at home and abroad while turning the greatest pains unprecedented in the 5,000 year-long history of the nation into strength and courage.

In the New Year's message, you, the respected and beloved general, clearly elucidated a brilliant road to brilliantly make this year, which marks the 50th anniversary of national liberation and the 40th anniversary of the formation of Chongnyon, a most significant year in the history of the movement of Koreans in Japan, a year in which Chongnyon and Korean compatriots in Japan will brilliantly achieve victory in all works by thoroughly embodying the great chuche idea in their works, cherishing deep in their hearts the faith that the great leader [suryong] will be with us forever.

Entering the New Year, you, the respected and beloved general, not only showed us deep concern by sending huge sums of educational aid and scholarship funds, totalling as much as 100,350,000 Japanese yen, for the children of Korean compatriots in Japan, but also bestowed the fatherly benevolence of inviting art troupes of Korean students and children living in Japan to the New Year's festival of students and children of the fatherland, and of congratulating them for their outstanding performances. You, the respected and beloved general, also bestowed the fatherly benevolence of sending New Year's gifts to Chongnyon functionaries and Korean industrialists in Japan.

Cherishing the burning loyalty and reverence of Chongnyon functionaries and Korean compatriots in Japan, we at this meeting respectfully extend the utmost glory and warmest gratitude to the great leader [yongdoja] of our people, respected and beloved general who has most wisely led Chongnyon and Korean compatriots in Japan while bestowing upon them your infinitely benevolent love.

Receiving the programmatic New Year's message from the respected and beloved general, we are filled with the burning determination to thoroughly implement your New Year's message, cherishing deep in our hearts the dignity and honor of being the people of Kim Il-song [kim ilsong minjok] who were born blessed with the leader [suryong], the happiest thing among the happiest



things, whor shared the same breathe, mind, and foot-step with the people of the fatherland who are creating a new history of independence under the banner of socialism centered on the popular masses.

What all of us bear deep in our hearts in the hopeful New Year is the respected and beloved general's deep trust in and warm love toward Chongnyon, which the great leader [suryong] built and led with his great efforts and care [nogo wa simnyo]. It is also our iron-willed oath to eternally glorify the leader's [suryong] immortal leadership achievements according to your lofty will.

In the New Year, we will more widely and deeply wage the work of mastering the respected and beloved general's greatness, and of making it our firm faith and will; we will erect among Chongnyon functionaries and Korean compatriots in Japan the firm pole of thinking that as long as you are with us, general, we are victorious. In this way, we will more firmly establish your leadership system within Chongnyon, and will make our single-hearted unity invincible. Thus, we will firmly defend the chuche socialist fatherland and will devote all our strength, wisdom, and patriotic spirit to achieving the fatherland's grandeur and prosperity.

Upholding the programmatic teaching of the respected and beloved general who has elucidated that firmly rallying the masses of Korean compatriots in Japan is the primary requirement for strengthening the main force of the movement of Koreans in Japan and who has defined this year as a year for rallying the masses of compatriots, we will always mingle with the masses of compatriots and carry out this work as befitting servants for the Korean compatriots in Japan. Thus, we will effect a new turn in the work with the masses of compatriots of all walks of life, including young industrialists. Along with this, we will more properly strengthen Chongnyon branches and chapters, Chongnyon commerce and industry associations, the (?Korean Youth Union in Japan), the Chongnyon Women's Union, and other Chongnyon organizations; we will also decisively enhance their function and role. In this way, we will build the strong and powerful patriotic ranks which can take root deeper in the broad masses of Korean compatriots in Japan.

We will also further strengthen and develop national education, which is the lifeline of the movement of the Koreans in Japan, and will firmly defend various rights of the Korean ?ompatriots, including their business rights. Thus, we will lead our compatriots in Japan to more firmly trust and follow Chongnyon as their motherly bosom.

Keeping in mind the lofty intent of the respected and beloved general who said Chongnyon should play a leading role in the movement for national reunification to realize the great leader's [suryong] lifetime will, and that this year marks the 50th anniversary of national liberation, we will more vigorously wage the reunification movement among the masses. Thus, we will actively

contribute to opening an epochal phase for achieving the cause of reunification in the 1990's without fail under the banner of the 10- Point Program for Great National Unity.

By vigorously waging external activities in conformity with the demands of the prevailing situation, we will further glorify among the Japanese people and the people of different countries in the world the international prestige of the socialist fatherland, which is the light-house of the era of the great chuche idea and the era of independence. We will also increase the ranks of supporters for and sympathizers with the cause of national reunification.

Upholding the great leader [suryong] forever as the eternal sun of chuche, and cherishing deep in our hearts the firm faith that as long as the respected and beloved general is with us we will be victorious without fail, all our Chongnyon activists will trust and follow only you, and thus will effect a new historic turn in Chongnyon's patriotic work this year.

The long life with good health of the respected and beloved general is the supreme happiness of all the Korean people. It is not only our ardent wish, but also the glory of the progressive mankind of the world.

We sincerely wish the respected and beloved General Kim Chong-il, the great leader [yongdoja] of our people, long life with good health for the brilliant consummation of the chuche revolutionary cause, for national reunification and prosperity, for the strengthening and developing of the chuche-oriented movement of Koreans in Japan, and for the victory in the cause of making the world independent.

The central Chongnyon activists meeting held to more properly implement Chongnyon's tasks for 1995, upholding the respected and beloved General Kim Chong-il's New Year's message.

[Dated] 10 January 1995, Tokyo, Japan

#### **Chongnyon Supports Tasks in Kim Chong-il Message**

*SK1301042495 Pyongyang KCNA in English 1513  
GMT 12 Jan 95*

[FBIS Transcribed Text] Tokyo, January 10 [date as received] (KNS-KCNA)—A central meeting of activists of the General Association of Korean Residents in Japan (Chongnyon) to carry through its tasks laid down in the message of greetings from respected General Kim Chong-il on the new year 1995 was held in Tokyo on Tuesday [10 January], at which the officials on Chongnyon and the compatriots in Japan vowed to make the year a year of greatest importance in the history of the movement of Koreans in Japan.

In the message of greetings sent to Han Tok-su, chairman of the Central Standing Committee of Chongnyon, on



January 1, 1995, Comrade Kim Chong-il highly estimated the achievements made in the work of Chongnyon last year and put forward the tasks of Chongnyon this year, among them, the movement of national reunification.

Prior to the meeting, all those present observed a moment's silence in memory of the great leader Generalissimo Kim Il-song.

Addressing the meeting, Yi Chin-gyu, first vice-chairman of the Chongnyon Central Standing Committee, called for turning out as one in the patriotic work of Chongnyon, putting up the slogan of loyalty, a slogan of patriotism, let us decorate 1995, a year in which falls the 50th anniversary of national liberation and the 40th anniversary of the formation of Chongnyon, as the most significant year in the history of the movement of Koreans in Japan!

In hearty response to the historic new year message of the respected general, he also called for more dynamically marching forward with the belief that the great leader is always with the Koreans in Japan and when they hold in high esteem respected General Kim Chong-il with a single heart of loyalty and filial piety, they will win without fail.

At the meeting officials from different circles vowed to carry through the tasks laid down in the New Year message.

The meeting adopted a letter to General Kim Chong-il.

**Russian Communist Praises Kim Chong-il's Work**  
*SK1301103895 Pyongyang KCNA in English 1013*  
*GMT 13 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—Vladimir Markov, secretary of the Central Committee of the "Communists League" of Russia, made public an article headlined "Perfect Scientific Theory of Socialism" after studying the famous work of the great leader Comrade Kim Chong-il "Socialism Is a Science".

He in the preface of the article says that the publication of the work of Comrade Kim Chong-il in a complicated and hard time of modern history is, indeed, an opportune important event and that his work is a great source of courage and optimism, the inexhaustible creative power of the socialist theory and the conviction of the final victory of the socialist cause.

He in the first part of the article points out that the work of Comrade Kim Chong-il gives great strength and courage to the Communists and working people of Russia and that the realities of Russia prove the absolute validity of the words of Comrade Kim Chong-il that the collapse of socialism in various countries does not mean the frustration of socialism as a science but the bankruptcy of opportunism which has corrupted socialism.

The article goes on:

Comrade Kim Chong-il's work "Socialism Is a Science" is a perfect scientific theory of socialism. It newly clarifies not only the ideological and political work of Communists but also the consciousness and activities of the masses of the people, and the basic factors defining their position and role in the development of modern history. The work raises and elucidates matters concerning philosophy and outlook on the world in general.

The innovative indication of the basic problems in the present times will, no doubt, have a great influence on the activation of the ideological and political life of the communists, the Russian Communists in particular.

He in the second part of the article notes that the propositions of the existing revolutionary theory on the role of the masses of the people in the process of socio-historical development and the masses of the people as the creator of history are not satisfactory in the present time and that he thinks the work of Comrade Kim Chong-il makes an innovative study of this basic issue of the revolutionary theory.

The article continues:

The justness of the proposition that the present time is the time of independence when the masses of the people have presented themselves as the master of their destiny and transformer of the world is verified by the process of historical development and the experiences of the new era which started from the time when the great October Socialist Revolution emerged victorious. The proposition on the decisive role of the motive force in the revolutionary change is also absolutely right in view of the bitter historic experiences of Russia.

The happiness of the Korean Communists and the entire Korean people lies in that the great leader Comrade Kim Il-song with so outstanding personality stood in the van of the Communist movement and the national liberation movement in Korea from their inception and led the country for nearly half a century in the later period.

Comrade Kim Chong-il took so much necessary and excellent things from the great Comrade Kim Il-song and acquired much while working with him for 30 years.

Reading the work "Socialism Is a Science", I keenly realised what a great role the stand toward the matter of obligation, the motive of obligation, the feelings of deepest love for the people and concern for a correct road of revolution play in thinking, appraisal and conclusion.

Socialism fosters and develops the ability of people and opens a broad road of producing many talented men among the people who have won independence and, for this reason, socialism will defeat capitalism.

The article in the third part says:



In the work "Socialism Is a Science" the principle of independence is applied to the analysis of the nature and characteristics of man, the most complicated problem that had been the object of study in different fields of sciences and had been one of the fundamental matters of philosophy in the whole historical period of the development of philosophy.

Not denying Marxian definition of the nature of man as an integral of social relations, Comrade Kim Chong-il studied this matter from the viewpoint of the principle of man's independence which is embodied in practical activities and concluded that independence, creativity and consciousness, the nature of man, are the most essential characteristics of human activities.

With independence, creativity and consciousness presented as the components of the nature of man, the degree of realisation of humanitarianism in a given society can be defined by the extent the society provides the conditions and opportunities for the development and display of this nature of man. This is the declaration of an end to the old myth of bourgeoisie who contended that the society encroaching upon the nature of man is "a society giving equal opportunities".

The leader of the Korean nation set a good example for the Communists of other countries in creatively evolving revolutionary theory and approaching it in a responsible manner.

We the "Communists League" fully supports the principle of independence in the activities of parties including theories.

We support the idea of the Pyongyang Declaration which laid the foundation of the unity of the international Communist movement under the new historical conditions.

**Foreign Media Carries Articles on Kim Chong-il**  
*SK1301044395 Pyongyang KCNA in English 0421*  
*GMT 13 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—Foreign news media dedicated articles to the 3rd anniversary of the election of the great leader Comrade Kim Chong-il as supreme commander of the Korean People's Army.

The Ukrainian paper NARODNAYA ARMIYA carried a portrait of Comrade Kim Chong-il and an article headlined "on the 3rd anniversary of the election of the supreme commander of the Korean People's Army".

The paper said:

For the Korean People's Army with His Excellency Kim Chong-il as its supreme commander, his august name is the symbol of invincibility, the banner of victory, giving it the conviction of certain victory.

His Excellency Kim Chong-il is a great brilliant commander with extraordinary military wisdom.

He has comprehensively systematized and newly formulated the military idea of President Kim Il-song to meet the demand of the times and revolutionary practice. As a result, the whole contents of the Army building and military activities have been immensely enriched with unique principles and propositions.

With noblest love for the revolutionary soldiers, he shows deep love and trust to the soldiers of the People's Army.

AL BAATH, organ of the Yemen regional leadership of the Arab Socialist Baath Party, in an article entitled "supreme commander and soldiers" wrote:

His Excellency Kim Chong-il, supreme commander, and soldiers of the People's Army in Korea are linked together by tight bonds without the slightest split.

We can well see the blood ties between the supreme commander and the soldiers through letters and replies between His Excellency Kim Chong-il and soldiers.

His Excellency Kim Chong-il has long since been the father of the soldiers.

This is why the soldiers of the Korean People's Army remain loyal to his excellency supreme commander with absolute trust in him.

The greatness of Comrade Kim Chong-il was also introduced by the Mozambican paper NOTICIAS, the Zimbabwean paper PEOPLE'S VOICE and Radio FM 90 of Cambodia.

The December issue of Madagascar NEWS carried the brief biography of Comrade Kim Chong-il.

**Joint Editorial's Tasks for Reunification Viewed**  
*SK1301103195 Pyongyang KCNA in English 1026*  
*GMT 13 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 13 (KCNA)—Choe Song-suk, chairperson of the Central Committee of the Union of Agricultural Working People of Korea, and Kang Thae-mu, director of the Secretariat of the Consultative Council of Former South Korean Politicians in the North for the Promotion of Peaceful Reunification, released Thursday [12 January] press statements supporting the tasks for national reunification laid down in the new year's joint editorial of NODONG SINMUN, CHOSONINMINGUN (daily of the Korean People's Army) and NODONG CHONG-NYON.

Choe Song-suk said all the Koreans in the North, the South and overseas must firmly unite as one nation transcending the differences in party affiliation, grouping, political view and religious belief under the banner of the "10-Point Programme of the Great Unity



of the Whole Nation for the Reunification of the Country" advanced by the great leader Comrade Kim Il-song. Herein lies the best way of smashing the obstructions of the partitionist forces at home and abroad and ushering in the dawn of national reunification, the supreme desire of the nation, she said.

In order to open a new phase of national reunification in 1995, she noted, it is necessary to conduct a more valiant struggle to oust the Kim Yong-sam puppet clique.

She vowed, on behalf of the entire agricultural working people in the northern half of Korea, to reap a good harvest this year by working hard in hearty response to the agriculture-first policy of the party in the spirit of actively supporting the South Korean brothers in their patriotic struggle.

Kang Thae-mu said that for the accomplishment of the cause of reunification in the 90s the principle of independence, one of the three principles of national reunification, must be maintained.

He said the members of the Consultative Council of Former South Korean Politicians in the North for the Promotion of Peaceful Reunification will more stubbornly fight with optimism and the firm faith that the country is sure to be reunified because respected General Kim Chong-il, the distinguished leader of the nation and lodestar of national reunification, stands at the van, so that the day when the lifelong desire of the fatherly leader comes true in the three thousand-ri land of the country may come earlier.

#### **Pyongyang Economic Sub-Work Team Leaders Meet**

*SK1301125095 Pyongyang Korean Central Broadcasting Network in Korean 2110 GMT 11 Jan 95*

[FBIS Translated Text] On 10-11 January, a meeting of sub-work team leaders for Pyongyang's rural economy was held at the 8 February Cultural Hall. Present were Comrade Pak Nam-ki, chairman of the Pyongyang Municipal Administrative and Economic Committee; relevant functionaries, including Kang Hyon-su and Choe Nan; and sub-work team leaders from state-owned and cooperative farms in the city.

In most humble reverence, participants at the meeting paid their respects to the memory of the respected and beloved leader Kim Il-song, who devoted his entire life to the prosperity and development of the fatherland, the freedom and happiness of the people, and the constant development of our country's agriculture.

The meeting summed up the achievements and experience gained last year in the struggle to thoroughly implement the party's agriculture-first policy, and discussed the tasks to further enhance the sense of responsibility and the role of sub-work team leaders in effecting a new upturn in the capital's agricultural production this year—a significant year in which we mark the 50th anniversary of the

founding of the glorious party—according to the intent of the great leader [yongdoja] Comrade Kim Chong-il.

Following a report by Yi Sin-cha, chairwoman of the Pyongyang Municipal Rural Economic Committee, discussions were held by many of the participants. A letter of pledge to Comrade Kim Chong-il, the great leader [yongdoja] of our party and people, was adopted at the meeting.

### **South Korea**

#### **Diplomatic Sources Cited on KEDO Meeting**

*SK1301010195 Seoul YONHAP in English 0056 GMT 13 Jan 95*

[FBIS Transcribed Text] Washington, Jan. 12 (YONHAP)—South Korean, U.S. and Japanese negotiators will announce Friday the results of their talks on providing light-water reactors to North Korea after meeting for a fourth day here Thursday.

Diplomatic sources said the negotiators could not agree on whether to specify the term "South Korean-style nuclear reactor model" in the draft agreement on establishing the Korea Energy Development Organization (KEDO), the international consortium tasked with supplying light-water reactors for North Korea.

Seoul wants the term stated specifically in the agreement.

South Korea's position on the matter is so unyielding that if it is not accepted, the three countries will have to leave the issue open, the sources said.

In the draft contract between KEDO and North Korea, however, they did agree to specify South Korea's Ulchin Nos. 3 and 4 as reference reactor models.

Meanwhile, U.S. State Department vice spokeswoman Christine Shelly said the reason the originally scheduled two-day meeting was extended to four days is not due to problems but because very complicated and technical issues are being addressed.

The negotiators are making progress, she added.

Working-level officials from the three countries had been slated to meet only Monday and Tuesday, but had to prolong the talks until Thursday because it took longer than expected to discuss the draft agreement on setting up KEDO as well as the draft contract between KEDO and North Korea.

#### **No Agreement With U.S. on North Reactor Type**

*SK1301095195 Seoul YONHAP in English 0945 GMT 13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—The three-way working-level negotiations on the establishment of the Korea Energy Development Organization (KEDO), which will be tasked with providing light-water nuclear reactors to North Korea,



ended Thursday in Washington with Seoul and Washington still failing to reach an agreement on whether to specify the term "South Korean-style nuclear reactor model" in the agreement on establishing the international consortium, according to officials of the Ministry of Foreign Affairs Friday.

The three sides, including Seoul, Washington and Tokyo, therefore, will have another round of expert-level talks on unresolved issues soon, said the officials.

The three, however, produced an agreement that a contract on the provision of the light-water nuclear reactors to be signed between the KEDO and North Korea will specify that the reactors should be South Korean standard model, said the officials.

During the working-level talks, the three sides also discussed a variety of technical and procedural matters involving establishment and operation of the KEDO and the provision of the light-water reactors, said the officials.

The three sides also dealt with the wording of the contracts for the establishment of the KEDO and the provision of the reactors, said the officials, adding "they made substantial progress during the talks."

The officials, however, declined to go further, saying "we agreed not to reveal the contents of the talks in detail."

#### **U.S. Plans To Remove Sanctions Against DPRK**

*SK1301004495 Seoul YONHAP in English 0038 GMT 13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—U.S. sanctions against North Korea that are expected to be lifted on or around next Tuesday under their nuclear accord will be confined to those deemed essential to supporting diplomatic activities when the two sides exchange liaison offices, a South Korean Government official said Friday.

The United States will initially remove only a symbolic portion of sanctions against the North, permitting direct telephone communications between Pyongyang and Washington and remittances to the North excluding those for commercial settlements, the official said.

In particular, the U.S. ban on trade with and investment in the North and the 200-dollar limit on travel expenses will be excluded from the sanctions being lifted next week, which is likely to delay visits to the North by such American firms as AT&T and Coca-Cola.

The official said: "The United States is scheduled to announce a partial lifting of sanctions against North Korea on or around next Tuesday. The sanctions to be lifted this time, however, will be limited to those needed for activities on the part of U.S. and North Korean liaison offices.

"The coming step is the first phase and of a symbolic nature. The U.S. Government plans to take second- and third-phase steps in removing sanctions against the North on a gradual basis in pace with progress in the objective situation, such as the liaison office opening and implementation of the Washington-Pyongyang agreed framework."

The United States has permitted shipment to the North of only a limited range of humanitarian items like food and medicine, with not only trade but also financial transactions, international loans, aid, communications and personnel exchanges prohibited.

In signing the nuclear agreement in Geneva last Oct. 21, the United States and North Korea agreed to ease trade and investment restrictions involving communications and financial transactions within three months after the signing.

#### **U.S. Call for North-South Dialogue Viewed**

*SK1301053195 Seoul CHOSON ILBO in Korean 13 Jan 94 p 6*

[Article by reporter Kim Chang-kyun in Washington: "The U.S. Government and Congress Suddenly Stress a 'Need for North-South Dialogue'"]

[FBIS Translated Text] Officials of the U.S. Administration and Congress are suddenly stressing the need for North-South Korea dialogue.

A high-ranking U.S. Defense Department official said: "Resuming North-South Korea dialogue is an important factor in implementing the U.S.-North Korea agreed framework." Following this, on 10 January, a State Department official said: "If the North-South Korea relations remain as they are now, it may be difficult for the United States and North Korea to exchange liaison offices for the time being." He said this during an open briefing, though he spoke on condition that he not be identified.

Similar remarks are made in Congress, as well. Leading representatives are preparing a resolution that calls for North-South dialogue. And, Murkowski, chairman of the Senate Energy Committee, said that "Japan must help ensure North and South Korea resume dialogue."

Even though pertinent U.S. officials or congressmen said "It is desirable to resume North-South dialogue," they said so just as a matter of principle. In fact, they did not pay attention to North-South dialogue because it was a secondary element in the U.S.-North Korea agreed framework.

However, these days, more and more pertinent U.S. officials say "It is necessary to hold North-South dialogue," even though they are not asked to comment.

Why is such a phenomenon taking place, even though the ROK Government "has hoped but has not asked for it?" A general analysis is that there are two reasons.



The U.S. Government needs North-South dialogue to implement the U.S.-North Korea agreed framework. The U.S. Administration finds it difficult to collect a very large amount of money necessary to implement the agreement.

The United States plans to have as many countries as possible join the Korea Energy Development Organization [KEDO] and provide the KEDO with capital. However, it is not likely that new contributors with deep pockets will appear.

Therefore, the United States has no alternative but to heavily rely on the ROK's pockets in implementing the U.S.-North Korea agreed framework. However, the ROK may not be in a position to pledge a large amount of money if the strained North-South relations do not improve. This is because it will be difficult for the ROK to donate billions of dollars at a time when North Korea openly criticizes the ROK Government.

The United States thinks it must provide the ROK with a comfortable atmosphere to ensure that the ROK pay a certain amount of money it hopes the ROK will pay. It also thinks North-South dialogue is a minimum requirement.

For a different reason, those who are suspicious of the agreement on the North Korean nuclear problem also say North-South dialogue is necessary.

Forces who are anti-North Korea, most of whom are Republican conservatives, insist that North-South dialogue should be resumed. They think that North-South dialogue is the only means to pressure North Korea.

Although officials of the Republican Party are dissatisfied with the U.S.-North Korea agreed framework, they believe it is impossible to reverse it. Therefore, all they can do is to strictly demand North Korea's implementation of the agreement.

One of North Korea's duties under the agreement is the freezing of its nuclear facilities, and it seems that North Korea has been sincerely fulfilling the duty so far. The agreement also obliges North Korea to resume dialogue with the South. Though this is not a forcible obligation, North Korea promised the United States to make efforts to resume South-North dialogue. At present, however, North Korea has no intention of resuming dialogue with the ROK because it is North Korea's strategy to continue dialogue with the United States, isolating the ROK as much as possible.

Of course, the Republicans are calling for South-North dialogue apparently because "easing tensions on the Korean peninsula, where 37,000 U.S. troops are stationed, is good for the national interests of the United States."

However, few people believe that the resumption of South-North dialogue will directly influence the U.S. national interests.

Plunk, senior fellow of the Heritage Fund, a think tank for the Republican Party, said: "Provisions on South-North dialogue are the only ground provided by the agreed framework, based on which the United States can make stronger demands from North Korea." That is, the maximum utilization of provisions concerning South-North dialogue that are remaining like a "degenerated tail" [toehwadoen kkori] is the only way to confirm North Korea's faithfulness and sincerity.

#### **Source Cited on Kim Il-song's Burial, Succession**

*SK1301025795 Seoul HANGUK ILBO in Korean 13 Jan 95 p 2*

[By correspondent Yi Chang-hun from Moscow]

[FBIS Translated Text] According to a diplomatic source in Moscow on 12 January, North Korea is likely to bury Kim Il-song, who died last year, in the suburbs of Pyongyang at Taesongsan, where the so-called "revolutionary martyrs" are buried.

The source said: "President Kim's tomb is likely to be near the tomb of his ex-wife Kim Chong-suk, who was buried with the revolutionary martyrs. The recently built Tangun tomb will not be used as President Kim's tomb."

The source added: "It is certain Russian scientists are working on the preservation of President Kim's corpse. When the work is finished, President Kim's bier will be open to the public like Lenin's."

The source also said: "Kim Chong-il's position as the successor is firm. As to the number two man, Kim Yong-nam, deputy premier and foreign minister, from the administration; and Choe Kwang, chief of General Staff, from the military, are prime candidates."

The source added that O Chin-u, vice president and minister of the People's Armed Forces, does not have actual influence due to his illness.

#### **Seoul Drafts Guidelines on Families in DPRK**

*SK1301120895 Seoul YONHAP in English 1158 GMT 13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—The South Korean Government is working on a detailed guideline on remittance by dispersed family members in the South to their families in the North via third countries.

Deputy Prime Minister and National Unification Minister Kim Tok said Friday [13 January], "We are making an overall review of the amounts and frequency of the remittance which some dispersed family members in the South have been making to their families in the North with tacit government approval."

Elaborating on Kim's remarks, Exchanges and Cooperation Director-General Kim Yong-il of the Unification



Board said his board has been studying a detailed guideline on such remittance.

The various methods under review include the creation of an exceptional clause in the existing Foreign Exchange Management Law and setting of a limit in the law on South-North exchanges and cooperation, he said.

The foreign exchange law allows a South Korean to remit cash not exceeding 5,000 U.S. dollars to abroad at a time, an amount which is deemed too much when it comes to remittance by dispersed families.

So far the Unification Board has tacitly okayed the sending of money or some daily necessities by dispersed family members in the South to their families in the North by way of third countries.

#### **N-S Inbound, Outbound Trade Shows Disparity**

*SK1201015595 Seoul YONHAP in English 0114 GMT  
12 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 12 (YONHAP)—The volume of inbound inter-Korean trade increased remarkably last year, while that of North Korea-bound shipment of South Korean merchandise fell, officials at the Korea Maritime and Port Administration (KMPA) said Thursday.

The total volume of cargo transported between South and North Korea by sea rose 17.2 percent, the officials said.

The volume of North Korean goods including mineral, agricultural and fisheries products and iron material transported to the South by ships registered with third countries reached 206,623 tons last year, up 29.5 percent from 1993.

In contrast, the volume of South Korean goods such as textiles, miscellaneous goods and synthetic rubber carried to the North stopped at 12,989 tons, down 53.1 percent from 27,099 tons in 1993.

The inter-Korean trade got off to a brisk start early last year amid signs of a thaw in bilateral relations with the North-bound shipment increasing more than 100 percent in the first half of last year from a year earlier. But it was dampened quickly in the second half, particularly after North Korean leader Kim Il-song died, so that the volume decreased rapidly.

Of North Korean products purchased by the South, mineral products claimed the largest portion with 48 percent or 99,770 tons, while miscellaneous goods represented 40 percent of the North-bound cargo.

#### **Consignment Processing Trade With North Increases**

*SK1301010895 Seoul KYONGHYANG SINMUN in Korean 12 Jan 95 p 8*

[By reporter An Chi-yong]

[FBIS Translated Text] Major ROK general trading companies, including Samsung Company, Daewoo Corporation, and LG International, plan to increase consignment processing trade with North Korea.

According to industry sources on 11 January, the three companies sent a combined \$26.8 million worth of consignment trade in 1994 to North Korea. This year, they plan to expand the volume to \$42 million.

Daewoo Corporation increased the volume of consignment processing trade from \$11.5 million in 1994 to \$25 million in 1995. The amount of processed products that reenter the ROK will also be increased from \$4.8 million in 1994 to \$12 million in 1995.

Samsung Company plans to send \$5 million more on consignment, increasing the total amount from \$15 million in 1994 to \$20 million in 1995.

The amount of goods that reenter the ROK will also double from \$5 million to \$10 million this year.

LG International increased the volume of garments to be processed in North Korea for Bando Fashion from \$7 million in 1994 to \$10 million this year.

#### **Daewoo Officials Arrive in Pyongyang for Talks**

*SK1301073995 Seoul YONHAP in English 0708 GMT  
13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—Inter-Korean economic cooperation is preparing for take-off with the imminent joint production of three light-industry products—shirts and blouses, jackets and bags—by South Korea's Daewoo Business Group and North Korea at the Nampo industrial complex.

Daewoo announced Friday that a six-member investment survey team led by Vice Chairman Yi Kyong-hun arrived in Pyongyang Wednesday aboard a special flight provided by the North and is holding talks on materializing the project.

The delegation will visit Nampo, Najin and Sonbong, and put the final touches to negotiations on operating three factories—one with six lines turning out 3 million shirts and blouses annually, one with eight lines for 600,000 jackets and one with three lines for 900,000 bags, Daewoo officials revealed.

Daewoo and the North previously drew up a contract to build nine apparel-sewing factories in the Nampo industrial complex, of which three are completed. Furthermore, these plants have already been equipped by the North and are thus ready to start production once Daewoo sends the necessary technicians, the officials noted.

The products turned out by these factories will represent the first fruits of an inter-Korean joint venture.



Besides Daewoo, other business groups including Samsung, LG [Lucky-Goldstar] and Hanhwa [Korea Explosives Group], which have won government approval to visit the north, plan to dispatch teams this month, leading to a rush northward by South Korean concerns.

The Samsung team traveled to the communist country Wednesday, with Hanwha and Sinwon Corp. missions scheduled to follow suit around month's end, according to business sources. Smaller companies such as Daeho Construction Co. and Haeduk Express Corp. are poised to head for the Najin-Sonbong trade zone this month.

Led by Tongyang Group Vice Chairman Pak Che-yun, a 10-member team plans to visit North Korea at January's end to discuss ways of actualizing economic cooperation in the fields of cement and confectionery, Tongyang officials said. During its stay in the north, the team will meet Kim Chong-u, chairman of North Korea's External Economic Cooperation Commission, they said.

#### **South Koreans Said Not Invited to North Festival**

*SK1301034495 Seoul TONG-A ILBO in Korean 13 Jan 95 p 2*

[FBIS Translated Text] North Korea's promotion to attract 10,000 tourists to visit the "International Sports and Cultural Festival," which will open in Pyongyang on 25 April, does not include ROK residents. A high-ranking ROK Government official stated on 12 January: "Foreign tourists invited to visit the Pyongyang festival are third-country nationals, excluding South Koreans, and Korean residents with foreign passports."

#### **Southward Migration Following Unification Expected**

*SK1301033995 Seoul SEOUL SINMUN in Korean 13 Jan 95 p 2*

[FBIS Translated Text] According to research, if national reunification occurs abruptly, a maximum number of 5 million people will move from the North to the South in one or two years following reunification.

This was revealed in a paper entitled "A Study on Measures for the Expected Movement of Population Following Reunification," which was prepared by Professor Kim Sang-kyun as a draft policy to be recommended by the Advisory Council on Democratic and Peaceful Unification, headed by Pak Sang-pom.

#### **Plans To Support North Telecommunications Noted**

*SK1201023595 Seoul THE KOREA HERALD in English 12 Jan 95 p 3*

[FBIS Transcribed Text] South Korea will push to open communications services with North Korea this year.

The Seoul government will seek to implement exchange of mail, telephone, and facsimile services between the two countries.

Announcing its policy programs for this year yesterday, the Ministry of Information and Communications (MIC) said it will also extend full support to North Korea's telecommunication modernization projects.

Private enterprises here will be encouraged to participate in the telecom network projects in North Korea's Najin and Sonbong districts, an MIC spokesman said.

All preparations will be completed in 1995 to connect the two Koreas' basic communications networks, he said.

To back up the ongoing globalization trends, the MIC is to strengthen mutual R&D ties with China, Japan, Iran, Canada, Romania and five other countries in telecom-related fields.

Government telecom officials will be dispatched to embassies in China and European countries.

The ministry will spearhead efforts to form the Asia-Pacific Information Infrastructure (APII), proposed by President Kim Young-sam last year.

Telecom ministers from 18 APEC countries will meet in Seoul in May to discuss the establishment of APII.

The MIC plans to exert its utmost efforts to locate the APII headquarters in Seoul.

With the R-J-K [Russia-Japan-Korea] and Sino-Korean undersea fiber-optic cable networks scheduled to be completed this year in February and December, respectively, South Korea will emerge as an international telecom hub.

MIC, therefore, plans to introduce a lot of new telecom services here this year.

Public pay phones will be equipped with additional functions to accommodate PC communications and facsimile services.

Public cellular phones will be installed on airplanes.

One telecom operator will be selected to be awarded a PCS (personal communications system) service license.

The ministry plans to approve introduction of TRS [expansion unknown] and wireless data communications services.

The MIC policy of privatization and deregulation will be continued.

An additional 14 percent of Korea Telecom [KT] shares will be sold to the private sector, reducing the government holding in KT to 66 percent.

Korea Telephone Directory Co., a KT subsidiary, will be completely privatized.

To improve the quality of mobile phone service, the ministry will set up 143 more relay stations, expanding the facility capacity by an additional 10,000 circuits.



MIC will complete development of CDMA (code division multiple access) and digital satellite broadcasting technology by year-end, while setting about development of PCS technology.

The ministry plans to ask telecom companies to reinvest nearly 8 percent of their turnovers for R&D purposes.

A total of 415.8 billion won will be provided as subsidies to private telecom companies. About 20 billion won is to be earmarked for domestic software manufacturers.

As part of the information superhighway project, the government will construct an ultra high-speed communications network linking the nation's 12 major cities.

After launching the Koreasat, or Mugunghwa, in June, the government plans to start test-operating the digital satellite broadcasting system in December.

Meanwhile, legislation will be completed within this year to prevent hacking and other computer-related crimes and set up a postal corporation.

**\* Defector Describes North Construction Industry**

952C0036A Seoul WOLGAN CHOSON in Korean Nov 94 pp 305-317

[By Kim Yong-song, adviser to Korea Technology Development Corporation: "An Account of My Personal Experience as a Battalion Commander of a Building Workers Shock Regiment for the Construction of Kwangbok Boulevard, Pyongyang]

[FBIS Translated Excerpt] Under a human wave tactic, people with no building skills or ability are forcibly mobilized and rushed to work with no adequate equipment and materials at construction works in North Korea... The North Korean authorities claim that shock brigades on the construction sites are taking the lead on the forefront of "national construction," despite the fact that many of its members are overcome by hunger, get injured and killed by accidents, or engage in gang fights on the disorderly building sites.

**Work Away From Home Preferred**

From late 1985 through the fall of 1989 I had experienced the life of a "shock brigade" while working first as a technical staff officer and then as a battalion commander in the "North Hamgyong provincial regiment for the construction of Kwangbok Street, Pyongyang." During those four years my family stayed behind in Chongjin.

The words "shock brigade" refer to members of every mass movement in North Korea. "Rural shock brigade," "building shock brigade," and "speed battle shock brigade" are examples. In North Korea they call work a battle, and numerous battles are waged, such as "the harvest battle," "the construction battle to build Kwangbok Street," "the battle to earn foreign exchange," etc.

In that four-year period, 180,000 shock brigade members were mobilized from various parts of the country to work on the construction of Kwangbok Street. Of this total, 100,000 were civilians and 80,000 were soldiers. Members of our North Hamgyong regiment alone numbered 8,000. Soldiers were young conscripts, and civilian members were ordinary workers, farmers, and clerks. Both soldiers and civilians had never worked on construction works before.

The North Hamgyong provincial regiment had to build a 6,000-pyong gymnasium, Kwangbok Street Department Store, and a 30-story cylindrical apartment complex during the four-year period. To carry out these projects, the provincial party committee mechanically picked up one out of every 50 adult workers from the agencies and enterprises under its jurisdiction. Most of the construction machinery and equipment used on the construction sites were commandeered from the building enterprises in North Hamgyong Province. Designers, construction engineers, and foremen were chosen from construction agencies in the province. The current socioeconomic conditions in the North make it relatively easier to make this kind of large-scale mobilization—conditions such as the awesome power of the party, the chronic unemployment caused by the shortages of raw materials and energy, and the public aversion to the life of regimentation.

Enlisting in a shock brigade is attractive to young men with a good family background because it provides them with an opportunity to join the party as "construction innovators," as well as to party members and cadres because they can get a bicycle, a sewing machine, or a television set as a reward. On the other hand, ordinary people prefer to work in a shock brigade, in which political indoctrination is loose and all they have to do is just work rather than going through a tightly controlled life of regimentation. That is why very few are against working at construction works away from home for a few years.

Those working in a shock brigade can relieve themselves of mental pressures, such as worries about firewood, coal, and daily necessities, while living away from home.

**Shock Brigade, Loafing Brigade**

The North Korean authorities claim by citing their statistics that the 180,000 people who enlisted in our shock brigade built 50,000 housing units in five years. But the number of housing units built in that period was slightly over 20,000. The figure 50,000 claimed by the North Korean authorities includes the public cultural and welfare facilities which were constructed along with the housing units. These buildings were calculated in terms of housing units by dividing their total floor space by 18 according to the practice of using 18 pyong as the standard size of each housing unit.

Imagine that 180,000 people are working on the rather narrow strips on both sides of 6-kilometer long



Kwangbok Street. To get an idea of how the construction sites are crowded with the shock brigades, imagine the crowd on Haeundae Beach.

When I saw the sight of construction works on the Pundang new town construction project [near Seoul], where only a few people were at work, I thought that the project would hardly be completed "by the early part of the next century" because I had been familiar with the crowded construction sites in North Korea. But in South Korea, hundreds of thousands of housing units are completed each year.

In the latter part of the 1980's North Korea concentrated exclusively on the construction of Kwangbok Street under the slogan "Whole party, whole army, and everyone, to the construction of Kwangbok Street!" But they barely built only 180,00 pyong in the period mentioned above. This is to say that each of the 180,000 shock brigade members built only one pyong of floor space a year.

In North Korea, shock brigades are working "heroically" and "sacrificially" at the "construction battlefields" where various mobile propaganda teams are in action "with drums beating" as "instructed" by Kim Chong-il; and the high-performance broadcasting cars are moving around making deafening noise everywhere. But labor productivity is only one-tenth of that in South Korea.

Construction projects in North Korea are on the brink of a standstill for these reasons: a chronic gap between demand and supply in building materials; an inadequate operation of machinery due to a gasoline shortage; a lack of the desire to work in the absence of incentives; the enlistment of unskilled workers in "shock brigades"; shortages of tools; sloppy work; obsolescent building equipment; and a chronic food shortage.

Kim Chong-il says that the outcome of all things depends on the ideological state of man. But this may hold water only on the premise that people are treated as human beings. North Korean authorities dispatch a mobile propaganda team to each "battlefield" in order to awaken the construction workers politically and inspire them in "mass heroism" so that the goals may be achieved in a short period of time. But shock brigades have accomplished very little although more than ten years have passed since the drive was launched.

Nevertheless, the carrot used in spurring shock brigades into action is a prospect of being admitted into the party and merchandize offered as a prize. But only a few may be lured by the bait. This is partly because youths with a good family background are few and partly because useful prize merchandize is available only to party cadres with the rank of "shock brigade" company commander or above.

Because of various subjective and objective reasons, shock brigade members spend more time loafing than working. They are fond of calling themselves "loafing brigade."

### **One Person Killed Each Day**

Construction sites in North Korea are frequent scenes of sloppy work, repetitive work, crumbling, and fatal accidents.

According to statistics released by the industrial safety subcommittee of the "Kwangbok Street Command Headquarters for Pyongyang City Construction" headed by Chang Taek-sang, Kim Chong-il's brother-in-law, 1,300 workers died in accidents on the construction sites in a three-year period from 1987 through 1989, or one a day on the average. The injured were numerous.

There were an excessive number of deaths and injuries because of the overcrowding of the construction sites, the inadequate industrial safety measures, the lax work discipline, and violations of the standard procedures and rules of operation. But in my opinion, the root cause should be found in the way the North Korean authorities treat people, which is manifested in their indifference to, and acquiescence with, this deplorable condition.

The North Korean authorities seldom open their mouths without preaching "Man is the most precious being in this world." But when a person is killed, all that they do for the surviving family is issue a "certificate of the surviving family of a deceased patriot." But the family gets no social or economic benefit from this certificate because it is nothing more than a kind of death certificate.

Because there is no system of compensation for workmen's injuries or deaths, the authorities are naturally very loose about the concept of safety in workplaces and are not keen about taking safety measures and checking into responsibilities for accidents in workplaces. When a worker dies in an accident, they simply say, "It is the person's fault, and we are sorry for him."

One seldom sees scaffolding on numerous high-rise buildings under construction on Kwangbok Street. They do not even have the idea of scaffolding. There are no handrails or safety nets to prevent a fall.

### **Hard Hat Used as Multifunctional Bowl**

Beginning in 1986 North Korea distributed vinyl "safety hats" to construction workers for the first time as a token of party solicitude. Workers did not object to wearing "safety hats" because they had never used such protective hats before. But as they began wearing them, the number of injury cases caused by falling objects did not decrease. The safety hat was easily punctured and broken, failing to protect the head. Workers began to feel that their safety hats were not for the protection of their heads but meant just for show.

But shock brigade members found many uses of their hard hats. First, they use them as water bowls for washing their faces in the morning. The hats were so soft and bent so easily that workers had to fill them with water just half way and support them with their hands.



Hard hats were also used as dippers in the kitchen, as a substitute for umbrellas when it rained, and as a protection from sunlight. The colors of hard hats were most effectively used to differentiate the units and ranks of shock brigade members. The white color was used to indicate commanding staff members at the regimental level, the yellow color for commanders at the battalion level, and the orange color for the regiment from Hamgyong Province. The units and ranks were discernible at a distance.

I once visited the General Command Headquarters under Chang Taek-sang. There I saw hundreds of officials working at their tables in the office. Everyone of them wore a shining Japanese-made hard hat. I saw their hard hats placed on their tables safely. Even switchboard operators were not an exception. I tested one with my hands and tried it on. It was really very hard and not only fitted my head perfectly but also carried a warranty (guarantee for its quality). So, I became convinced that North Korean-made multifunctional hard hats were not intended as safety hats.

The lives of Chang Song-taek and others working inside the general command headquarter were so precious that their heads were well protected, but the 180,000 shock brigade members on the construction sites were working with their heads virtually naked, exposed to the danger of falling shingles and bricks on the "battleground" because their lives are not considered important.

There were no such thing as ready-mixed concrete or pump-cars. Nor were there any temporary elevators and freight lifts on the construction sites for the Kwangbok Street construction project where high-rise buildings and skyscrapers were under construction. Shock brigade members had to mount many stairs to reach the stories they were working on, be it the 20th or the 30th. Construction materials were hauled up vertically by using cranes and winches mostly commandeered from mines. It was not easy to lift cargoes vertically by using these cranes and winches. That is why accidental falls were frequent.

It was in the summer of 1987 that the framed structure of a 30-story building almost reached the top. As the structure gradually approached the 30th story after three years of work, the work efficiency dropped. After eating a little bit of rice cooked with corn for breakfast at the joint cafeteria, shock brigade members climbed or crawled up the structure because there were no steps. They got exhausted and had to take a rest for a while, and after the rest, they felt hungry. This made them more exhausted, and the exhaustion made them hungrier. As a result, unless they were not watched by the battalion commander or the political director of the regiment, sometimes nothing was accomplished in the morning. When the foreman was not around, workers usually lifted up their lunch by the crane, and after the lunch they just took a long rest and worked very little.

Being a low-ranking member as a technical staff officer of my regiment, I had my meals at the joint cafeteria for

two years. Born weak, I had to suffer from malnutrition. With the thought that a chicken head is better than an ox tail, I made a request to the political department for a transfer to a battalion to fill the vacant post of its commander, although the duty of a battalion commander was more hectic. My request was granted. From then on I ate at the back room of the battalion cafeteria and could barely escape from hunger.

### Climbing 30 Stories

After taking command of a 600-strong battalion, I climbed up to the top of the construction works every other day. As I climbed up, I became short of breath and felt a burning sensation in my throat. Upon reaching the top, I would find my men loafing, enjoying the panoramic view of Pyongyang like sparrows perched side by side on a telephone line.

I had no strength left to scold them, so I would quietly sit down near them. When I recovered my breath, I rolled tobacco in a piece of paper and smoked it. After taking a rest for a while, I would admonish my men, "Comrades, you have had enough rest. How about getting up to do some work?" Only after I prompted them several times, would they slowly get up and get ready for work. Half an hour passed this way. Some mean fellows still remained sitting, protesting in silence. But sometimes, they suddenly jumped up from their seats. I noticed that the regimental political officer was watching them. Shock brigade members were more afraid of being criticized by the political director at party meetings than of the reprimand of their battalion commander.

There were a considerable number of ex-convicts among the "shock brigades" dispatched from various localities for Pyongyang city construction. Mostly they were pick-pockets, swindlers, burglars, and gangsters. Before joining the shock brigade, some of them did forced labor after they got caught while traveling without a travel permit. Depending on their physical strength, they became squad or platoon leaders, or even company commanders. If they so wished, they would render "meritorious services" by driving shock brigade members hard like slaves.

Abusive language won't work for these kinds of primary-level leaders. To move them, you have to find their weak points and call them into question, or use a carrot. You need to threaten them with the charges of misappropriation of construction materials, failure to prevent accidents, sloppy construction work, and misappropriation of food and supplies. Or you can put them into action by dangling material rewards.

Our regiment trailed far behind other regiments working nearby in erecting the framed structure of Kwangbok Street Department Store in 1989. To cope with this situation, the provincial party committee drastically strengthened the mobile propaganda team and doubled the amount of commodities offered as prizes.



Distribution of prize articles falls under the exclusive right of the regimental commander and the political director. That is why company commanders and higher officers tried hard to fawn upon them.

Wherever the regimental commander and the political director went, the mobile propaganda team appeared beforehand with bugles blowing, and the battalion and company commanders barked at their men blowing whistles and pointing their fingers at them. Each tried to show that they were the masters in creating a "combat atmosphere."

### Mean Old Man

These low-level commanders are burning with the desire to win black-and-white televisions before completing their hateful bachelor life in the shock brigade and returning home.

It was 10 days before the "15 April holiday" [Kim Il-song's birthday]. While a newspaper reading session was in progress in the morning, we heard revolutionary songs roaring from the broadcasting car, followed by the propaganda team with the red flags fluttering, much earlier than usual. I casually looked back and noticed that a group of white-hatted cadres was approaching. The battalion propaganda team took note of the appearance of the cadre group. After the reading session was over, orders were issued to start working. But workers dallied as if saying to themselves, "Why be in such a hurry?"

Apparently unhappy about this atmosphere, the regimental commander stopped a worker who happened to be passing by. Pointing to the uneven surface of the concrete wall, the commander shouted to him, "Is this the best you can do with your hands? Tear down this part and do it over." But the worker remained silent. The angry commander asked the name of his unit. Thereupon, glancing at the commander, the young man held up his head saying, "Who is this old man any way? If you have any instruction to issue, you should go through the squad or platoon leader." Moving away, he provoked the commander further by saying, "You have grown into a mean old man, haven't you?"

To be sure, the young man knew that the man was the regimental commander. Snubbed by him, the commander became speechless.

Many spectators around simply laughed in their sleeves. With a reddened face, the regimental commander silently walked away and headed for another construction site following the political director who was walking ahead of him.

At last the eve of the 15 April holiday arrived. The framed structure of the department store under construction was completed and there was a ceremony at which prizes were awarded, followed by the distribution of subsidiary foodstuffs.

First, television sets were presented to the leader of the mobile propaganda team which had contributed to the fulfillment of the combat targets by uplifting the morale of the regiment, as well as several regimental cadres and battalion commanders.

Only undergarments and socks were allocated to my battalion. Most probably, the regimental commander did not forget the humiliation he had suffered at the hands of the young man of our battalion.

Almost all young shock brigade members dispatched from various parts of the country had not returned to their homes even once in two years or more. As a rule, shock brigade members were allowed to take a 15-day leave once every year. But they were denied travel permits from 1986 through 1988 because measles and typhoid fever were rampant throughout the country in that period.

Beginning in 1980 the incidence of tuberculosis and other communicable diseases increased rapidly with the deterioration of the public health and sanitary conditions. In the mid-80's measles and typhoid fever spread. To prevent the spread of measles among youths who had never had this disease, a travel ban was imposed on youths, and a large-scale sanitation testing campaign was launched to stamp out measles.

With the travel ban on youths lifted in the summer of 1989, a full-scale leave and rotation program went into effect. As a result, my battalion alone sent 150 youths home.

### Return Home With a Biscuit as a Gift

At that time, my concern was how to detect and recover hundreds of pieces of missing aluminium tableware. Believing that they must be hidden in the knapsacks of returning youths, I decided to collect them without fail.

I mustered the departing members of my battalion for an emergency inspection late in the evening the day before they were scheduled to depart. Battalion cadres thoroughly searched the knapsacks of departing youths. Through this inspection, we succeeded in collecting a lot of aluminum tableware. But it was a great shock to me. All that was contained in the knapsacks of those who were returning home for the first time in two years at the earliest and usually in three years, after toiling on their empty stomachs was: the food ration coupons they had saved, and 1 kg of biscuits they had exchanged for money, and the toothpaste and bars of facial soap they had obtained through their relatives in Pyongyang.

As for myself, I had never bought toothpaste and soap while living in North Hamgyong Province for 15 years. Toothpaste and soap were certainly great gift items for returning workers. But I thought they deserved more. They were usually troublesome on the construction sites and did not work hard, but they were the "hidden heroes" who deserved more than the treatment they had received.



The erection of the framed structures and the installation of windows in the high-rise buildings in Kwangbok Street were completed four years after the project was started. As of 1989, the interiors of the buildings were yet to be completed, but viewed from the outside, they had a great value as "another creation in the Age of the Workers Party."

At that time Chang Tae-sang, Kim Chong-il's brother-in-law, issued an emergency order to each building regiment in connection with the World Festival of Youth and Students which was drawing closer. The order called for tearing up the shabby quarters for shock brigade members scattered around the construction sites; keeping the surrounding areas in good order; paving the roads inside the district, and completing the lighting work inside the buildings as soon as possible.

All the regiments tore down the make-shift structures in the area, and thousands of shock brigade members temporarily moved into the rooms on the eighth floor and below in each building. But tap water was available only on the third floor and below, and only in the morning and evening at that, because the plumbing work was not completed yet. We had to use outdoor facilities for cafeterias and toilets.

Sewage was thrown into the elevator shaft and piled up two storeys high in a month. Every toilet and every corner in the room smelled of foul odors. Anyone who wandered around the building past midnight was apt to be in danger of getting wet with a shower of urine.

Six or seven people were packed in a room 3 to 4 pyong in size. Many went up higher carrying a blanket each to flee from mosquitos.

At last the World Festival was around the corner. Chang Song-taek issued another order to each regiment. He ordered the regiment commanders to use their men to spray the 100-meter or so wide asphalt road of Kwangbok Street with water every morning before sunrise, suspend all the work of shock brigade members, and ban them from entering downtown.

Young workers could not sleep well at night because they were hungry and were tormented by mosquitoes. While having idle talk all night, they barely fell asleep long after midnight. But they had to wake up at 4 to spray the broad street with water and clean it. They found this task as hard as their work at construction sites.

When the apartment project in Festival Village undertaken by the Pyongyang Municipal Bureau of Construction was completed ahead of all other buildings on Kwangbok Street, foreign guests moved into it. There were more than 10,000 of them in total, including Korean residents and guests from Japan, Canada, the United States, China, and Central Asia. All of them were quartered collectively in Festival Village on Kwangbok Street.

### Smell of Broiling Meat

The 180,000 shock brigade members were not allowed to visit Festival Village. So all that they could do was to climb to the top of their unfinished high-rise buildings and skyscrapers to see the sight of Festival Village bustling with foreign guests.

The curiosity of the young men grew acuter with each passing day. A few days later some of them changed into street wear and sneaked out of the windows. The greater the number of people going out, the more cooked rice was made available to those who stayed in their quarters. That is why the guards and commanders looked away from their escapades.

I also secretly visited Festival Village in Kwangbok Street. Of course, I was dressed in my best. It was impossible to sneak into downtown Pyongyang during the festival period because college student disciplinary teams and public security guards were posted everywhere. That is why I visited only nearby Festival Village. The village looked singular, even viewed from afar. So many people were mingling in T-shirts, knitwear, short pants, and comfortable sneakers. There were rolls of make-shift counters hundreds of meters long each on the sidewalks in front of the buildings. The whole place looked like a market. I was dazed at the sight of soft drinks, souvenirs, luxury items, postcards, books, and jewels being sold at these counters, and noodles and ramen and even broiled beef being served at makeshift snack bars.

I was dressed in a pair of air-tight "tetron" trousers and a "tetron" shirt and wore a pair of canvas shoes inferior in quality to those worn during the days under the Japanese rule. Sweat poured down my lean sunburnt face bedecked with a crude North Korean-made pair of eye-glasses. I could imagine how my ungainly appearance might look to the people there, but I went among the novel crowd.

First, I smelled the strong fragrance of honeydews. Turning my eyes in the direction of the smell, I saw yellow honeydews, apricots, peaches, apples, and water-melons, and even South Pacific fruit on the counter.

Again lured by the smell of bulgogi [Korean style broiled meat], I approached the food counter of a makeshift snack bar. I was intoxicated by the savory sweet smell of bulgogi.

I stood for a while watching customers pay their bills with foreign-exchange conversion notes. I had to turn away because I had only 30 won in North Korean currency.

While carefully watching many counters, I noticed that all merchandize, the fixtures from chairs to tents, from cooking equipment to tableware, were Japanese-made or products of other foreign countries. That was not all. The salesclerks and merchants were all Korean residents from Japan affiliated with the [pro-Pyongyang] General



Association of Korean Residents [Chochongnyon] in Japan, who were "mobilized" for the festival. Festival Village was nothing but a set designed to show to the foreigners that there were a civil society and private markets in North Korea just as in Western countries. Not a single North Korean product could be seen in this setting. I became so thirsty under the scorching sun that I went to a soft drink counter. Many cans of soft drinks were in the icebox. With no conversion note on hand, I hesitatingly asked for a cold drink.

### Shock Brigade Members Steal Goods

An over-powdered middle-aged woman wearing sun glasses on her face and jingling bracelets gave me a glass of cold drink saying, "50 chon." I produced a 1 won bill in Korean currency, but she did not receive it and just stared at me. I took out a 10 won bill, but she did not respond.

At this embarrassing moment, a man who seemed to be her husband whispered something to her and said, "let us make it free."

I said, "Thank you," and emptied the glass. I felt an inferiority complex welling up in me. I couldn't help asking myself, "Are we, who built this street, beggars who have to beg for a glass of cold drink?"

The 13th World Festival of Youth and Students came to a close. The goal of the North Korean authorities was accomplished when it showed this street to the foreign guests.

With the closing of the festival, the builders of Kwangbok Street began to work on the interiors. But the interest of the General Command Headquarters diminished and the treatment of workers markedly worsened. The articles of reward were knit undershirts and socks at the best, and the formerly abundant vegetable supplies to Kwangbok Street were virtually suspended. For these three years Pyongyang citizens often gathered the left-over summer cabbages and radishes disposed of by the shock brigades upon completion of their "supportive labor" in order to assuage their hunger for vegetables. But now that the exteriors of Kwangbok Street were completed, they wanted to have vegetables for themselves.

A supply of goods in support of each regiment ceased to arrive from localities in its home province, and the number of party memberships open to shock brigade members decreased. Shock brigade members packed in the lower floors of high-rise buildings began to idle time away with no more work to do. Their morale sagged, and they could not work because of shortages of materials and gasoline. Moreover, previously installed spigots and whole boxes of yet-to-be used tiles began to disappear, and wallpaper and starch were always short. The lost materials and broken glass were reported during a monthly inventory. The headquarters staff cursed and reprimanded cadres at all levels, but it had no choice but

to provide an additional supply of materials to make up for the lost or broken items.

On the other hand, Pyongyang citizens had to manage to find ways to obtain all the building materials they needed for their homes—such as nails, cement, paint, tiles, electric bulbs, glass, wallpaper, and electric outlets—from the construction sites. There were some stores selling building materials, but they only sold hammers, saws, shovel handles, and axes, etc. Under these circumstances, shock brigade members stole building materials and gave them to their relatives in Pyongyang in return for meals, toothpaste, soap, etc.

Window glass in unfinished buildings are broken by carelessness or by mistake, but deliberately quite often. Workers hit windowpanes to crack them, and when an order is out to dispose of the cracked windowpanes, they divide the broken pieces among themselves. The largest possible square is cut out of each broken piece. Even a palm-size piece is found useful. In the outskirts of Pyongyang, one finds some windowpanes of the apartments made of patches of glass pieces or vinyl sheets.

The North Korean sheet glass industry, like other industries, has long been in ruin. North Korean sheet glass produced from time to time is very bluish. Because of the uneven thickness, the warped surface, and air bubbles, sheet glass easily breaks when it is cut. It reflects light irregularly. All these defects impair the building quality.

### Unceasing Defective Construction, Accidents

In the minds of the North Korean authorities, it was improper to use domestically produced sheet glass in buildings to be erected in Kwangbok Street, upon which the honor of the party and the leader was at stake. That is why they began to import sheet glass from Poland beginning in the 1980's, although North Korea was unable to import even several tons of glycerin because of the foreign exchange shortage, forcing North Koreans, except Pyongyang citizens, to brush their teeth with salt. Under these circumstances, the North Korean authorities were importing even sheet glass from Poland for not-so-large windows of housing. One may wonder whether this behavior of the North Korean authorities should be regarded as a "bold strategy," or as sheer stupidity.

One of the reasons for the continuing postponement of the target dates of completion for the building projects is sloppy work. Sloppy work, which begins to appear in framed construction, is a natural consequence of constructing multistory buildings by using unskilled workers and primitive tools and equipment. In South Korea steel pipes with adjusting screws are used to support the sheeting for concrete floors.

But in North Korea no one has ever seen such steel props. Larch trees are used for this purpose, and each time they are used, they are cut short with the saw. So, they must be supported by a brick, and their height is



adjusted by a wedge. Sometimes, two or three bricks are used to prop up the shortened larch. As a result, accidents frequently occur as props fall during concrete work. No water-proof plywood for sheeting is available, and wooden boards are used instead. Nails are mostly made from metal sheets, the boards are smoothed roughly with a plane, and no separators are available so that after the sheeting is separated from concrete, the separated wooden boards are good only for firewood.

The surfaces of concrete ceilings are very uneven, and a flabby corner causes a lot of trouble. North Korea is short of finishing building materials, and the ceilings of buildings must be finished with plastering alone. But unskilled plasterers have to repeat plastering the ceilings 10 times.

After the festival was over, Kim Chong-il toured Kwangbok Street one day accompanied by Chang Taek-sang and other leaders of the General Command Headquarters and members of the Pyongyang Municipal Party Committee. Most of the shock brigade members were inside the buildings, and no cars and pedestrians were seen on the street. The sight of the Taedong plain with the harvest season around the corner as seen from the space between high-rise buildings on this deserted street looked odd to Kim Chong-il. Only a single row of 20-story or higher buildings stood on each side of the street. He immediately issued a "programmatic instruction."

The order said: "This urban district looks shabby because it has no depth. Therefore, put up more buildings at strategic points in the back."

I like to believe that when Kim Chong-il and his father fully examined and modified the model of Kwangbok Street five years before, they must have foreseen what the junior Kim saw on that day.

#### All for Just One-Time Use

A few days later the General Command Headquarters assigned a new task to each regiment. The North Hamgyong provincial regiment was ordered to build another 30-story building 400 meters from a similar building which was nearing completion. A week after the order was received, the regiment held a staff meeting and approved a master plan for the projected new building as well as material, equipment, and manpower supply plans for each division of work. A glance at the list of equipment that needed to be ordered gave me a pain. The list included 250 hydraulic jacks for lifting sliding sheetings, eight concrete mixers, and a number of winches. There was also a plan to commandeer 50 trucks. Curiously, the plans were identical with the provincial party committee's plans for building and commandeering construction equipment worked out five years before in 1985.

After the meeting was over, I pressed the equipment sub-section chief with questions.

I asked, "What has happened to all the equipment used to construct this building?"

He replied: "Of course, there are some leftovers. But only a few jacks are in a useable condition because some were burnt by welding machines during dismantling while others were dropped from high elevations. Comrade Kim, as you know, the concrete mixers were damaged because they were hammered so hard when removing the hardened residues of concrete mixtures. Don't you know that the revolving cogs and wire ropes were all worn out?"

I pressed on, "when the economic department of the provincial party committee learns of all this, do you think your position as equipment sub-section chief will be safe?"

He responded, "The dear leader Comrade Kim Chong-il instructed us to build the same type of building by using exactly the same method, you know" stressing the words "exactly the same method."

Well, on this building project everything was expendable. Building materials, equipment, fixtures, tools, and even human beings were expendable.

Officials were dispatched to the various command centers from the provincial department of public safety and the provincial department of security. They had a lot of duties to perform. It took time and effort to clarify and investigate frequently occurring vandalism, fatal accidents, wild rumors, gang fights, murder cases, and graffiti.

Habitual pickpockets and ex-convicts among shock brigade members operated freely on the widened arena. They gave part of their spoils to security guards as a tribute, and the guards would accept the bribe without asking the sources of the spoils. Security guards would look away from most cases or handle them expeditiously unless they had a political implication. [passage omitted]

#### Two Years After Completion of Framed Structure

I visited the old construction site during my leave in October 1991, for the first time in two years. Looking at the 30-story cylindrical housing complex my battalion built, I recalled the days when I was there. At lunchtime shock brigade members gathered at the makeshift cafeteria in the backyard.

The moment I saw them, I noticed that the project is still in the finishing stage. The complex was not yet completed three years after the framed structure went up. I tried to find some of my old acquaintances, but I could find none of them. When I was about to leave, a short fellow recognized me and accosted me:

"Instead of the Kwangbok Street General Command Headquarters pressing for speedy completion, the would-be occupants of this building made a direct joint appeal to the Party Center asking for its speedy completion... But the completion will be further delayed under



the pretext of shortages of materials and the unfinished elevator and electric wiring and air-conditioning systems. We are likely to move to the first floor of that building under construction over there when the winter is over and the spring comes."

I got the impression that everyone was afraid of an early completion of the project.

#### \* Post-Election U.S.-Seoul Relationship Viewed

952C0037C Seoul TONG-A ILBO in Korean 10 Nov 94  
p 2

[By reporter Kim Chae-hong: "Counting on 'Bipartisan Response' to the Nuclear and Other Issues: ROK-U.S. Relations after the U.S. Midterm Elections"]

[FBIS Translated Text] The U.S. midterm elections put the opposition Republican Party in control of both the House and the Senate, and the ROK Government has begun analyzing its impact on U.S. policies on the Korean peninsula and Asia. In the past, Seoul always had the Democratic Clinton administration in mind in its conduct of U.S. diplomacy, a fact that has prompted concerns within government that the GOP[Republican]-controlled Congress perhaps signals trouble for it.

However, Foreign Ministry officials, while closely following the results of the elections, stressed that the basic ROK-U.S. relationship is by no means a matter of "peripheral policy" affected by a change of government and leadership. What they mean is that, of all the U.S. policies, the most consistent is its foreign policy.

A look into U.S. foreign policy, they say, shows that it traditionally has priorities, namely, the UK in Europe, Japan and the ROK in Asia, and Israel in the Mideast. They insist that if the basic relationship with any of those nations is to change, it is only when the U.S. concept of national interest, i.e., the U.S. policy goal, changes. In the U.S. case, national interest is a typical concept of nonpartisanship that transcends the party or leadership line.

Secretary of State Warren Christopher, currently visiting Seoul, stressed at a meeting with Foreign Minister Han Sung-chu on 9 November that "in regard to Korean security, the United States will maintain nonpartisan support and consistency in the North Korean nuclear issue as well as its security commitment, regardless of the outcome of the elections"—as if he had a premonition of what was coming. He also said that as long as North Korea's military threat continues despite the U.S.-North Korea agreement, the U.S. commitment for ROK defense remains unwavering and that there will be no change in the size of the U.S. Forces in Korea. He thus made it clear that ROK-U.S. relations belong to key nonpartisan policies.

Experts note that while the basic axis of ROK-U.S. relations may indeed remain unaffected by change in the U.S. domestic politics, it is inevitable that the ROK will

have to practically alter its conduct of foreign policy toward the United States. The GOP foreign policy is far more cautious and conservative than the Clinton Democratic administration's. It also represents the interests of businesses and munitions industries in the United States.

This leads to this conclusion: Of the issues now pending between the ROK and the United States, there are, basically, two things that need to be readjusted. One refers to the timetable of implementation on the North Korea-U.S. nuclear accord and the other to increases in the security goods imports from the United States including cars and high-tech weapons. Even under their control of the Congress, the Republicans will not dare to block the implementation itself of the North Korea settlement by the U.S. Administration. Nevertheless, the possibility cannot be ruled out of the timetable's being stretched to the maximum under the terms of agreement as they will be far more cautious than originally anticipated examining preconditions of the implementation.

In a nutshell, with the liaison offices to be opened in Pyongyang and Washington, for instance, it can now be said that the opening is unlikely to come before North-South dialogue has made sufficient progress. Also, unless spent fuel rods still held by North Korea are shipped to a third country and other perilous elements are removed completely, the U.S. Administration is unlikely to undertake follow-up negotiations with North Korea. Analysts say that in a sense this has the effect of putting worries of conservative media to rest. On the other hand, it is now feared that the ROK will encounter difficulties in negotiations with the United States on the purchase of security goods that has been supported under the pretext of North Korea's military threat. Observers say that ROK Government authorities will find themselves under promotional U.S. pressures—e.g., that the ROK Forces should have the Patriot missile and the Early Warning System against North Korea's Nodong-1 missile.

Top GOP leaders are Bob Dole, Senate minority leader, and Newt Gingrich, House minority whip. Their policy line is conservative and extremely prudent. They have been critical of the "inexperienced and unstable" foreign and national security policies of the Clinton administration. Analysts say that their foreign policy inclination is toward far more forceful use of real strength, like the military strength in diplomatic negotiations used by Republican Presidents Reagan and Bush.

#### Cardinal Urges 'Truth' About 'Comfort Women'

SK1201073595 Seoul YONHAP in English 0729 GMT  
12 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 12 (YONHAP)—Cardinal Stephen Kim Su-hwan has urged Japan to bring to light the history related to the mobilization of young women of Asian nations as sex slaves for the Japanese Army during World War II and to make an apology.



In a letter sent to Japanese Prime Minister Tomiichi Murayama Tuesday [10 January] in his capacity as Seoul Archbishop, Kim expressed regret at the Japanese Government's decision to raise compensation funds for the comfort women from the private sector, instead of paying the compensation money from the government's treasury.

The decision would not be of any help to Japan settling its past history and would rather have a negative effect on Japan's effort to improve relations with Asian nations, he said.

"The sufferers and their nations want to know the truth of the comfort women issue, as well as the Japanese Government's proper apology and compensation," he noted.

Meeting the 50th anniversary of the close of World War II this year, Japan, as the aggressor nation, must first undo "the irrational knots" it made in its relations with Asian nations before and during World War II in order for the war victims and Asian nations to be truly liberated from the painful history, he stressed.

Kim urged the Tokyo government to retract its compensation fund-raising plan for substantial compensation to the comfort women, while launching educational programs designed to prevent the recurrence of such crimes.

#### **EU Files Antidumping Suit Against ROK Firms**

*SK1301012795 Seoul THE KOREA HERALD in English 13 Jan 95 p 8*

[FBIS Transcribed Text] Construction equipment manufacturers of the European Union (EU) have recently filed an anti-dumping suit against four South Korean excavator makers, the Korea Foreign Trade Association (KFTA) said yesterday.

The four South Korean makers are Daewoo Heavy Industries, Ltd., Samsung Heavy Industries Co., Hyundai Heavy Industries Co. and Halla Engineering & Heavy Industries Co., according to a report from KFTA's Brussels office.

The Committee for European Construction Equipment took the case to the European Commission, EU's executive body, last December, charging that the four Korean firms are "dumping" their excavators in the EU market, it said.

Following the complaint filed by the committee's 10 member firms, including J. C. Bamford from Britain, the commission is to decide Jan. 22 on whether to launch an anti-dumping probe into the Korean excavators manufacturing companies, the report said.

However, the possibility exists that the commission may not launch the anti-dumping investigation as the share of the Korean companies in the EU market is still less than 5 percent, it said.

The current EU anti-dumping rules stipulate that any anti-dumping probe shall be launched against foreign companies whose products enjoy a more than 5 percent share in the EU market, the KFTA report said.

#### **Ministry Says Apple Exports to Taiwan Resume**

*SK1201073395 Seoul YONHAP in English 0627 GMT 12 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 12 (YONHAP)—South Korea's apple exports to Taiwan, which have been suspended after the Seoul-Taipei diplomatic ties were severed in August 1992, have resumed.

The Agriculture-Forestry-Fisheries Ministry announced that two freighters loaded with 546 tons of apples left Pusan Port for Taiwan Thursday [12 January].

For the first time since the rupture of diplomatic relations, South Korea landed a contract to supply 3,000 tons of apples to Taiwan on Jan. 5, the shipment of which is to be completed this month.

Prior to this, businesses of the two nations reached an agreement in fruit negotiations last June, under which South Korea would export 9,500 tons of apples and 2,000 tons of pears produced in 1994, officials at the ministry said.

In accordance, the country made a successful bid for 1,080 tons of pears last year and of them, 866 tons were already sent to Taiwan on Nov. 28 and the remaining 214 tons will be shipped by this month's end, they noted.

The free on board (FOB) price of the apple is 33.4 U.S. dollars (26,700 won) a 10-kg box, which is a little bit higher than 17,330 won of domestic wholesale price. But given such costs as wrapping and transportation, marginal gains are hardly expected for exporters, the officials explained.

In the case of pear, the price is 48.5 dollars (38,800 won).

The ministry said that the rest of 6,500 tons of apples and 920 tons of pears will be shipped by April through additional tenders.

#### **WTO Employs Second South Korean Official**

*SK1301015695 Seoul YONHAP in English 0138 GMT 13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—The World Trade Organization (WTO) has informed the South Korean mission in Geneva that it will employ a second South Korean official, the Ministry of Foreign Affairs said Friday.

The WTO Secretariat notified the Korean mission in Geneva Wednesday of its decision to take on Kim Ui-ki, assistant financial attache at the mission, in its market access division, according to ministry officials.



Kim is the second South Korean to be selected by the newly launched WTO after Ma Chae-sin, a former associate professor at Seoul's Tankuk University. Ma was assigned to the trade policy review division in December.

The ministry invited Paul Rolian, director of the personnel division of the General Agreement on Tariffs and Trade (GATT), to visit Seoul last August to interview over 20 candidates seeking jobs at the WTO.

Of the WTO's 450 employees, almost all are Americans and Europeans while just three from other countries—South Korea, Japan and Hong Kong—had been brought on before Kim's appointment, the officials said.

The WTO plans to recruit 30 to 50 staff members this year. The world body chooses staff based on document screening and interviews and has set no national quotas.

#### **Chong Chong-uk Named 'Ambassador-at-Large'**

*SK1301071795 Seoul YONHAP in English 0606 GMT  
13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—Chong Chong-uk, former senior presidential secretary for foreign and national security, has been named ambassador-at-large, Foreign Ministry officials said Friday.

The former senior presidential aide, who was replaced by ex-ambassador to the United Nations Yu Chong-ha in a Chongwadae secretariat reshuffle last December, will be assigned to head one of the country's foreign missions after being formally appointed ambassador-at-large, possibly next week, the officials said.

#### **Ministry Urges Satellite Broadcasting Overseas**

*SK1301090495 Seoul YONHAP in English 0800 GMT  
13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—The Ministry of Information plans to expand overseas programming aimed at ethnic Koreans abroad through satellite broadcasting this year.

To this end, the Information Ministry envisages establishing a private "(South) Korea publicity association" with a view to starting "Korea" and "Asia" satellite broadcasting channels and launching "Mugunghwa" satellite broadcasting.

The ministry also plans to formulate and publicize a globalization scheme designed to elevate the nation's world ranking to seventh by the year 2020.

In a report on his ministry's policy priorities for the New Year to President Kim Yong-sam at Chongwadae [presidential offices] Friday [13 January], Information Minister O In-hwan also said 1995 would witness the introduction of the Audit Bureau of Circulations (ABC) system, urging the media to desist from wasteful competition and instead work to advance abroad.

With respect to cable television, the ministry will introduce a few additional channels including an air and correspondence university channel this year, and gradually expand general cable broadcasting to satellite cities such as Songnam and Ilsan, both on the outskirts of Seoul.

In connection with the establishment of satellite broadcasting networks for overseas Koreans, the government, taking into account the prospective opening of diplomatic relations between the United States and North Korea, intends to transmit domestic broadcasting programs daily to Korean broadcasting stations in North America. It also plans to supply such programs to Korean broadcasting facilities in China and Russia by concluding agreements with those countries.

The Information Ministry's policy goals for 1995 call for opening an "Asia channel" for the North American, European and Asian zones by leasing foreign satellites.

Anticipating that the nation's "Mugunghwa" satellite will begin broadcasting in 1996, the ministry will seek to open the "Asia channel" in a single private consortium with some Asian countries.

As the body promoting such satellite broadcasting networks overseas, the ministry envisages organizing the "Korea publicity association" with major companies, business organizations, and public broadcasting stations like the Korea Broadcasting System (KBS) and the Korea Overseas Information Service (KOIS) participating.

The proposed globalization scheme will comprise three stages through the year of 2020 with South Korea's levels in politics, economy, society and culture compared with those of advanced countries. The ministry plans to publicize the scheme with a view to soliciting public participation in the government's globalization drive.

As part of efforts to help promote the country's globalization, the ministry intends to increase the amount of English-language broadcasting in KBS programs, introduce such broadcasting in cable television news and transportation and tourism channels, and promote the relaying to domestic listeners of English broadcasting such as Britain's BBC.

For reinforced public information activities at home and abroad, the ministry plans to step up publicity on South Korean trade, commerce and culture through the Overseas Information Council.

#### **1994 Foreign Exchange Influx 'Relatively Small'**

*SK1301104895 Seoul YONHAP in English 1032 GMT  
13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—The net influx of foreign exchanges was relatively small last year due to expanded current account deficits and slowed-down arrival of foreigners' stock investment funds.



Figures released by the Bank of Korea [BOK] on Friday [13 January] showed that net foreign exchange influx amounted to 3.6 billion U.S. dollars last year, about half as much as the previous year's 6.6 billion dollars.

South Korea's foreign exchange holdings stood at 25.7 billion dollars as of the end of last year, up 5.4 billion dollars over a year before, the central bank said.

Last year current account registered a deficit of 3 billion dollars, 1.4 billion dollars more than the previous year's 1.6 billion dollars.

The swollen deficit was attributable to a sharp increase in imports, a rise in South Koreans' overseas travel expenses, and an payment of large amounts of interests caused by rising international interest rates.

Trade recorded a 500-million-dollar surplus and non-visible trade a deficit of 3.5 billion dollars.

Capital transactions showed a net influx of 8 billion dollars compared with 9.4 billion dollars in the previous year. The gain was due chiefly to increased overseas investment and the slowed-down arrival of foreigners' stock investment funds.

In long-term capital transactions there was a net influx of 5.1 billion dollars and in short-term transactions a net gain of 2.9 billion dollars. In the previous year, they were 8.8 billion and 600 million dollars, respectively.

#### **Article on Plan for Foreign Exchange Reform**

SK1301014795 Seoul THE KOREA HERALD  
(SUPPLEMENT) in English 13 Jan 95 pp 2, 3

[FBIS Transcribed Text] In June 1993, the Korean authorities launched a Five-Year Program for Financial Liberalization and Market Opening between 1993 and 1997. In 1994, the Korean authorities were planning to reform the foreign exchange control system.

In preparation for the reform, the Ministry of Finance has established a Committee on Foreign Exchange System Reform in February 1994 and instructed it to prepare a plan for the reform. This article presents a rationale for the reform, basic principles of the reform, a detailed summary of the plan, and a brief discussion of future changes in the relevant legal system.

#### **Rationale for the reform**

The Foreign Exchange System Reform results from the recognition that old-fashioned foreign exchange controls for managing foreign exchange reserves or preventing capital flight reduce the efficiency of international transactions among individuals, firms and financial institutions.

The reform will provide a legal and institutional framework for individuals, firms and financial institutions to respond more efficiently to the changes in the international economic environment such as the embarkation of the World Trade Organization (WTO), the strengthening

of regional economic cooperations, through EU, NAFTA and APEC [Asia-Pacific Economic Cooperation], and the changes in the international financial market.

By reducing or eliminating the regulations on foreign exchange, current account, and capital account transactions, the reform will help Korea to join the OECD, and, thus, promote the internationalization of the Korean economy. The reform will support the ongoing domestic financial liberalization, which will improve the efficiency of the domestic financial industry.

The reform will also promote more efficient funding from international financial markets, which will enhance the international competitiveness of Korean corporations.

Finally, the reform will help individuals to engage in overseas activities more freely and to gain access to the international financial market, which will enable them to manage their assets more efficiently. Basic principles of the reform [subhead]

The reform will effectively adapt to the negative system so that the foreign exchange system will be liberalized to the level of advanced countries. The reform will aim at quickly achieving full current account convertibility. It will make the regulations on current account transactions more transparent, easier to administer.

The reform will also aim at achieving the liberalization of the domestic capital market by adapting to the principles of a negative control list. In consideration of its impact on money growth, exchange rates and interest rates, the liberalization of the capital account transactions will be gradual.

In case of serious financial or balance of payment difficulties, however, capital controls will be reintroduced as a safety device. Payments for imports and receipts from exports involving financing will be further liberalized, and the liberalization of these will be consistent with that of capital account transactions.

The reform will expand the foreign exchange banking system. Even some nonbank financial institutions will be allowed to engage in foreign exchange business. The internationalization of won will proceed more quickly with respect to the current account transactions than to the capital account transactions due to the consideration of the domestic financial policy independence. Finally, the reform will proceed in three stages: The first stage to end in 1995, the second in 1997, and the third in 1999.

#### **Major points of the reform plan**

##### **On the current account transactions**

First, according to the present regulations on current account transactions, some payments and receipts including the following cannot be made without obtaining permission from the Minister of Finance: payments for imports and receipts from exports



involving financing payments for the cost of maintaining business practices of foreign branches, payments for debt settling any obligation resulting from any mutual transaction among residents and nonresidents.

According to the plan, these payments or receipts will be subject to the approval of foreign exchange banks in the next year, instead of requiring permission from the Minister of Finance. They will be subject to notification only, that is, they will be fully liberalized, in the following stage. However, payments or receipts exceeding certain amounts will be reported to the National Tax Authority.

Second, foreign exchange for travel abroad up to a certain limit will be approved by foreign exchange banks, and amounts exceeding the limit will need a permission from the Bank of Korea.

In the following stage, requiring approval from the foreign exchange banks will be replaced by giving notification to foreign exchange banks for amounts not exceeding a certain limit. The limit will be abolished in the final stage. Yet, payments exceeding certain amounts will be reported to the National Tax Authority.

Third, as for the advance receipts or down payments from exports, the limit on advance receipts or down payments will be raised and the amount within the limit will be liberalized in the next year. The amounts exceeding the limit will need a permission from the government authority. The limit will be raised gradually, and will be abolished in the final stage.

Finally, as for deferred and installment payments of imports, the maturity period of import financing will be extended to the international norm; only import financing with longer maturity will be subject to permission.

#### **On the capital account transactions**

I now discuss the reform plans related to the overseas funding of domestic companies. First, regulations on commercial loans for high-tech equipment or equipment related to SOC [expansion unknown] investment will be relaxed for foreign investment companies, and then for other companies. Such commercial loans will be completely liberalized in the final stage. However, commercial loan contracts for other purposes will need permission from the government authority.

Second, overseas stock listing of domestic companies will be liberalized in the next year. As for issuance of depository receipts, regulations will be substantially relaxed in the next year, and will be completely abolished in the following stage.

Third, regulations on issuing foreign currency denominated bonds will be relaxed gradually, and will be completely abolished in the final stage. The issuance of equity-linked bonds such as CBs [expansion unknown] and BWs [expansion unknown] will be liberalized in

Stage 2. However, issuance of won denominated bonds will need permission from the government authority even in the final stage of the reform.

Fourth, regulations on issuance of foreign currency denominated shortterm financial products will be relaxed gradually.

Finally, foreign currency lending and overseas financing will be liberalized in the next year.

I now discuss the reform plans related to capital market opening. As for nonresidents' domestic securities investment, the upper limit of foreigners' stock investment will be progressively raised.

In the final stage, the limit will be abolished except for certain limited industry stocks. The foreigners' investment in domestic bond funds will be allowed in the next year. Foreigners' investment in nonguaranteed long-term bonds floated by small businesses will be allowed in the following stage. In the final stage, investment in listed domestic bonds including treasury or public bonds will be allowed on a limited basis. The underwriting of foreign currency denominated short-term financial products in the primary market will be also allowed on a limited basis in the final stage of the reform.

As for nonresidents' securities issuance, listing of foreign stocks or issuance of depository receipts will be liberalized in the next year. Regulations on the issuance of won or foreign currency denominated bonds and the issuance of short-term financial products will be relaxed gradually, and such issuance will be liberalized in the final stage.

I now discuss the reform plans on the liberalization of overseas investment.

First, regulations on foreign direct investment in areas other than financial and insurance industries will be relaxed in the next year, and most of the remaining regulations will be abolished in the following stage. Regulations on foreign direct investment in financial and insurance industries will be relaxed gradually.

Second, overseas securities investment will be essentially liberalized in the next year for institutional investors. Overseas stock investment limits for individuals will be raised in the next year. Overseas investment on listed stocks will be liberalized in the following stage, and investment limits on nonlisted stocks will be raised in the final stage. Overseas bond investment limits for individuals will be raised progressively.

Third, private firms' real estate purchases abroad will be allowed up to a limit and for amounts above the limit permission will be required in the next year. The limit will be raised gradually in the following stage. Such real estate purchases will be liberalized in the final stage of the reform. Individuals' real estate purchases within a certain limit will be liberalized in the final stage. Finally, the limits on residents' foreign currency accounts abroad will be raised progressively.



#### **Expansion of the foreign exchange banking system**

Financial institutions that conduct foreign exchange business will no longer be limited to foreign exchange banks. Some nonbank financial institutions will be allowed to participate in the foreign exchange banks. Some nonbank financial institutions will be allowed to participate in the foreign exchange market in the next year. Some nonbank financial institutions will be allowed to foreign exchange borrowing and brokerage in the following stage. They will be allowed to engage in OTC [expansion unknown] foreign exchange business in the final stage.

As for the business of foreign exchange banks, regulations on mid to long-term foreign exchange borrowing or lending will be abolished in the next year. Regulations on establishing overseas branch offices will be relaxed in the next year, and completely abolished in the final stage of the reform.

#### **Regulations related to foreign exchange transactions**

Regulations on the exchange positions of foreign exchange banks will be gradually relaxed. The practice of requiring documentary proof of need for foreign exchange transactions will be stopped in the next year. Furthermore, the practice of requiring foreign exchange acquired by residents and nonresidents residing in Korea to deposit at the foreign exchange banking system will also be stopped in the next year.

#### **Development of the foreign exchange market**

First, to promote financial futures transactions through overseas trading places, financial companies specializing in intermediation of domestic and overseas futures transactions will be established in the next year. Regulations on OTC financial derivative transactions will be abolished in the next year. Second, to promote offshore financial transactions, relevant tax and accounting systems will be established in the next year.

Third, the Foreign Exchange Fund Trading Center will be converted into an independent corporation which specializes in foreign exchange brokerage in the next year. Multiple foreign exchange brokers will be allowed in the following stage.

Finally, the Foreign Exchange Market Operation Council will be abolished; instead, the Korea Foreign Exchange Market Committee (tentative) will be established as a new self-regulating body in the next year.

#### **Future changes in the relevant legal system following the reform**

The reform will be executed starting 1995; thus, the Foreign Exchange Control Law must be amended as soon as possible. The amended law will cover the planned reforms from stage 1 through stage 3. The Foreign Exchange Control Law could be abolished by 2000. It could be replaced by an alternative law, say, the Foreign Exchange Law, which includes a few remaining

regulations in a much simpler form. Finally, in case of serious economic or financial difficulties arising from Financial Liberalization and Market Opening, government will reintroduce capital controls on a temporary basis. To incorporate this, an enactment of derogation clauses will be necessary.

#### **Bonds Issued To Encourage Direct Financing**

*SK1301012995 Seoul THE KOREA HERALD in English 13 Jan 95 p 8*

[FBIS Transcribed Text] The government will encourage domestic businesses to sharply increase their direct financing by issuing stocks and bonds this year, capitalizing on the stable stock market.

Funds totaling between 29 trillion won and 33 trillion won (\$36.6 billion to \$41.5 billion) are estimated to be raised by direct financing in 1995, up 16 to 32 percent from the 25 trillion won raised last year, the Ministry of Finance and Economy said.

Stock issuance will likely amount to 8-10 trillion won, up 34-68 percent from 1994, it said.

The ministry plans to expand opportunities for businesses to make rights issues and public offerings to improve their financial structure and stabilize domestic interest rates, a ministry official said. "By taking into account the stock market situation, we will push for state enterprises' going public and privatizing," he said.

Fund raising through corporate bond issuance are estimated to reach 21-23 trillion won, or an increase of 11-21 percent, according to the ministry.

A ministry tally showed that the 1994 direct financing, owing to the stable local bourse and consistent administrative deregulation, jumped 40 percent to 25 trillion won worth from the previous year. Stock issuing doubled that of 1993 to 6 trillion won, including 5.4 trillion won in rights issues and 600 trillion won by going public. Bonds issuance, led by brisk floating of convertible bonds and unsecured corporate bonds, also climbed 20 percent to 19 trillion won in the 1993-1994 period.

Out of the 8-10 trillion won earmarked by the ministry for stock issuance, 5.8-7 trillion won will be through rights issues.

It will in principle allow all rights issues by industrial companies as well as relax regulations to do so.

In the past, for instance, firms wanting to make rights issues have had to make profits higher than 5 percent of their paid-in capital and their fund-raising ceiling has been set not to exceed 200 billion won. Now they only have to register current profits to make rights issue with the upper limit of funds being raised to 300 billion won.

Rights issues by financial service companies, however, will be permitted more gradually, starting with those with better performance records, the official said.



Despite overall easing of requirements for going public, the ministry will continue to apply strict screening procedures for applicants to prevent damages on bona fide investors, he said.

Priority in listing will be given to financial service companies with an urgent need for replenishing capital, as well as state enterprises with soundtrack records, including Korea Telecom and Korea Housing Bank.

The bond issuing amount of 21-23 trillion won, while an increase of 11-21 percent from 1994, represents net gains of 10-12 trillion won, or 13-35 percent rise, it said.

#### Direct financing (In won billion, percent)

Classification	1994	1995	Increase
New shares	5,958.2	8,000-10,000	34.3-67.8
Rights issue	5,378.7	5,800-7,000	7.8-30.1
Public offering	579.5	2,200-3,000	279.6-417.7
Bonds	18,989.3	21,000-23,000	10.6-21.2
(Net increase)	(8,884.5)	(10,000-12,000)	(12.6-35.1)
Total	24,947.5	29,000-33,000	16.2-32.3

Source: Ministry of Finance and Economy

#### Kim Yong-sam Urges Clean Government, Elections

SK1301072095 Seoul YONHAP in English 0650 GMT 13 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—President Kim Yong-sam called Friday for strict controls to prevent election offenses, including illegal campaigning, during the coming local polls.

Attending a joint briefing by the home, justice and five other ministries on their new year programs, the chief executive urged his cabinet to conduct the local vote with "a firm resolution to achieve a true election revolution even if new elections are required for this goal."

Kim, noting that promoting his administration's competitiveness and efficiency is a top priority for realizing his globalization vision, ordered the ministries to recruit competent staff from outside the government and intensify overseas training for public servants, Presidential Spokesman Yun Yo-chun said.

Corruption among public servants, especially tax officials, will not be tolerated under any circumstances to ensure that the government is clean and transparent in the eyes of the public, he stressed.

He also called for a strict clampdown on illegal labor practices and unlawful strikes destroying labor peace, while emphasizing the need to prevent crime, especially drug-related offenses.

To this end, working conditions for law-enforcement personnel, especially police detectives, should be improved, he said.

#### Minister Gives New Year's Administrative Report

SK1301034195 Seoul YONHAP in English 0257 GMT 13 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—First State Minister for Political Affairs Kim Yun-hwan vowed Friday to study formulas enabling middle-echelon lawmakers from the ruling Democratic Liberal Party (DLP) to participate in party operations and the DLP to accommodate outside experts.

Reporting his ministry's new year priorities to President Kim Yong-sam at Chongwadae [presidential offices], Minister Kim also pledged to "map out steps for effective and democratic management of the party headquarters and district chapters." To that end, he said, his ministry will study a formula allowing "those party members who have fulfilled their duties for a certain period of time to elect district chapter chairmen."

The DLP has recently debated electing district chapter chairmen through competitive balloting as a means of democratizing the party. Previously, they have been nominated by the party leader.

The journalist-turned-politician also disclosed plans to establish a specialized DLP policy research institute with a view to enhancing its policy development capacity.

Referring to the issue of party-administration cooperation, Kim said his ministry will try to accommodate different views on major policies in advance by holding high-level party-administration policy coordination meetings.

In order to promote cooperation with the opposition, opposition lawmakers will be briefed on national administration occasionally so they can understand it better, and the administration will try to accommodate constructive policy alternatives they present, Kim reported to the chief executive.

His ministry plans to study a party-administration coordination model at the local level to be implemented after the June 27 gubernatorial, mayoral and local council elections.

Kim said legislation to be handled in the forthcoming special National Assembly session includes a bill governing the real-name property ownership system and revisions to the election and National Assembly laws involving the rezoning of National Assembly electoral districts and adjustment of parliamentary standing committees in pace with the sweeping government reorganization implemented late last year.

#### Future of Ruling Party Chairman Still Uncertain

SK1301012695 Seoul THE KOREA HERALD in English 13 Jan 95 p 2

[Report by Chon Si-yong ]



[FBIS Transcribed Text] The knotty issue of the future of Chairman Kim Chong-pil of the Democratic Liberal Party (DLP) is expected to continue to grip the ruling camp for the time being as President Kim Yong-sam and the party chairman appeared to have failed to iron out their differences in a secret Chongwadae [presidential offices] meeting Tuesday.

Senior presidential aides, while confirming that the meeting took place at the Presidential Office, yesterday declined to give details of the meeting.

Chairman Kim also refused to disclose the content of the discussions he had with President Kim.

But Yi Won-chong, senior presidential secretary for political affairs, gave a strong indication that the president had asked the chairman to embrace his plan to reform the DLP.

At the core of the reform program is how to remold the party's leadership structure, over which Chairman Kim's political fate is at stake.

"I understand that the president did not talk to him in a roundabout way (during their luncheon meeting Tuesday)," Yi said. Yi's comment may well be regarded as a strong indication that President Kim demanded the chairman's resignation as the No.2 man of the ruling party.

Administration and party sources also said in return for Chairman Kim's "voluntary stepdown," the president might have assured him of "a certain post or role" in the party.

Judging from Chairman Kim's statements after the Tuesday meeting, however, it seems almost certain that he is turning a deaf ear to the president's demand.

Kim held his tongue after a newspaper reported the secret Chongwadae meeting yesterday morning, saying he did not have anything to talk about the meeting itself.

But the chairman made it clear that he would not accept any alternative posts such as the party vice president or the standing advisor.

"It was inevitable for me to take such (nominal) posts in the past," Kim said, referring to the fact that he, against his will, often had been put on the sideline by former President Pak Chong-hui.

On Wednesday, one day after he met President Kim, he also did not hide his irritation over the attacks against him, mentioning the "minimum morality" on the part of party reformers.

In a meeting Tuesday with a fraternity of senior administration officials from Puyo, South Chungchong Province, hometown of the chairman, Kim reaffirmed his strong determination not to make any concessions.

"I expect to experience a few hardships this year, but I will surmount them without fail," he said. "It is still early for me to make a choice."

Newspapers had reported these comments, which Kim made several hours after the Chongwadae meeting, without any substantial interpretations at that time because they did not know of the meeting.

But the fact that the chairman renewed his resistance to the call for his resignation in a strong tone only hours after his meeting with President Kim leads to the conclusion that he would not easily succumb to the pressure, political analysts said.

The chairman's steadfast resistance to President Kim's efforts to secure a "quiet and smooth" exit of him is expected to give the President a hard time for the time being, the analysts said.

The two may try to strike a deal by meeting each other again before Chairman Kim's planned trip to the United States Jan. 21, but senior Chongwadae officials said that they don't have any knowledge about any such plan.

The officials said that President Kim wondered how the Chongwadae meeting was leaked to the press because only the president himself and Chongwadae Chief of Staff Han Sung-su knew about the meeting.

This remark is seen as accusing Chairman Kim of the leakage, over which, Chongwadae officials said, President Kim expressed displeasure.

**Yi Seeks 'Political Retirement' of Kim Tae-chung**  
*SK1301034295 Seoul YONHAP in English 0228 GMT 13 Jan 95*

[FBIS Transcribed Text] Cheju, Jan. 13 (YONHAP)—Yi Ki-taek, chairman of the Democratic Party (DP), called Friday for the "complete political retirement" of former opposition leader Kim Tae-chung.

During a meeting with the press at a hotel here, Yi urged Kim, currently chairman of the Peace Foundation for the Asia-Pacific region, to refrain from interfering in opposition politics. "Regardless of a man's ability, he must pull back to the rear when the time comes," he said.

Yi then emphasized the need for a fresh generation of politicians: "As the truth of the universe in which the sun rises in the east and sets in the west, a new generation must take the place of the old one."

Political observers predict that Yi's open offensive against Kim will deepen the intra-party feud over a national convention to elect a new party leadership.

They said the factional strife besetting the opposition party is liable to worsen should Yi resign as DP chairman, ultimately leading to the party's split.



Yi also said he is determined to make a decision on stepping down unless his demand to hold an early national convention is met.

He voiced skepticism about holding on to the top party post without realizing his call, repeated several times over the past six months, to revamp the DP's leadership system to win the forthcoming local elections.

"I will make a decision by an early date after watching developments within the party, where some persons are making efforts to settle the dispute over the national convention," he said.

In this connection, a close aide to Yi noted that the chairman will formally decide on resigning in two to three days, after Kim returns from a trip to Guam.

#### **DP, Peace Foundation Chairmen Meet 'Secretly'**

*SK1301015495 Seoul YONHAP in English 0135 GMT 13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—Kim Tae-chung, chairman of the Peace Foundation for the Asia-Pacific region, and opposition Democratic Party (DP) Chairman Yi Ki-taek have met secretly a few times to discuss the date for the DP's national convention, informed sources said Friday.

However, the sources said they failed to narrow their differences over the timing of the national convention and an open competition to elect a DP leader, leaving Yi determined to resign unless his call for an early convention is heeded.

One of Yi's aides revealed that the two men recently met three or four times in strict secrecy at Seoul's Sokyo Hotel, only to see their efforts come to nought over the disputed issue of when to stage the national convention.

The aide did not specify dates, but indicated the two men met in late December and early January and had "a wide-ranging discussion on the national convention." The intra-party feud over the issue began to surface toward the end of last year.

He then explained that Yi's latest meetings with Kim were aimed at holding the DP's "Tongkyo-tong Camp" accountable for the party chairman's future resignation of his post.

Although Kim has steadfastly proclaimed his retirement from politics, he is still regarded as the party godfather who exercises a strong influence over its largest faction, Tongkyo-tong.

During the secret meetings, Yi reportedly demanded that the party's national convention be held in February to elect a new leader. He asserted that if he is selected as DP chief, the party will gain more victories in areas other than Cholla Provinces in the forthcoming local elections.

For his part, Kim is said to have insisted on holding the national convention after the June local elections, saying

that Yi would not be guaranteed victory if the convention were held next month to elect a new party leader.

But Yi reportedly maintained that a new party leadership must be chosen before the local polls to enhance the image of the DP, branded "a regional party representing Cholla Province only."

Another DP source said Yi has probably decided to step down already and would announce his formal resignation around Jan. 20 unless the Tongkyo-tong faction accepted his call for an early national convention.

#### **No Statute of Limitations for President's Term**

*SK0901013895 Seoul YONHAP in English 0103 GMT 9 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 9 (YONHAP)—The Constitutional Court has apparently concluded that a president's term in office should be excluded from the statute of limitations, a court official said Monday [9 January].

The court is, however, determined to rule around Jan. 12 that the prosecution's decision not to indict former Presidents Chon Tu-hwan and No Tae-u despite mutiny charges as provided for by the Military Criminal Law for their involvement in the Dec. 12 "coup d'etat-like incident" in 1979 is justifiable, according to the official.

He said, "The court adjudicators held a fourth meeting on Dec. 22 to discuss the issue. I know they reached a conclusion that the statute of limitations does not include a president's term of office if it is not for rebellion or foreign invasion."

The court is examining an appeal filed by former Army Chief of Staff Gen. Chong Sung-hwa, ret., and other victims of the army incident against the prosecution's earlier decision not to indict Chon and his followers for the alleged mutiny.

In the appeal, Chong and the others protested against the prosecution's decision to clear Chon and his followers of insurrection charges and not indict them for mutiny, while claiming that Chon's term in office should be exempted from the statute of limitations that lasts 15 years in this case.

But the court seems to have decided against accepting the claim that the prosecution's decision not to indict ex-Presidents Chon and No is unconstitutional, according to the court official.

If the court rules that the statute of limitations does not include a president's term of office, the statute of limitations for Chon will be extended seven years and that for No five years.



### **No More Reorganization of 'Noneconomic' Offices**

*SK1301105295 Seoul YONHAP in English 1035 GMT  
13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—There would be no further reorganization of non-economic government offices in the days ahead, Information Minister O In-hwan said Friday [13 January].

While meeting with the press, O said it was not that there was no reorganization of non-economic offices in the sweeping government reorganization effected last Dec. 3.

"The truth was that economic offices underwent more refitting in the Dec. 3 reorganization than non-economic offices," he said.

Minister O, however, implied at the scaling down of some offices.

"Making the Government Administration Ministry a mere office, for example, has nothing to do with the overall government reorganization," he said.

### **Farm, Livestock Cooperatives Begin Streamlining**

*SK1301120795 Seoul YONHAP in English 1127 GMT  
13 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 13 (YONHAP)—On heels of the recent government reorganization, the national agricultural, fisheries and livestock cooperatives federations are undergoing sweeping organizational refitting of their own.

Sources at the cooperatives said Friday [13 January] the reorganization is needed as an amendment to the law on cooperatives goes into force this year and there arises the need of more specialized projects.

The National Livestock Cooperatives Federation is reducing the number of its departments from the existing 24 to 20 and reassigning about 150 head office employees to field offices or project sites.

Instead the livestock federation plans to create the posts of a vice president for economic affairs and another vice president for credit programs.

The National Federation of Fisheries Cooperatives has decided to close down four departments out of the existing 20 and reduce the staff members of the federation headquarters by 81 from the present 533 to 452.

To better cope with fishery goods trade and spur economic projects, the fisheries cooperatives plans to newly set up trade, materials and capital zone sales project teams.

The National Agricultural Cooperative Federation is working on a sweeping reorganization plan, which is expected to be announced on Jan. 23, the sources said.

### **Government Focuses on Technology Infrastructure**

*SK1301020495 Seoul THE KOREA HERALD in  
English 13 Jan 95 p 8*

[By staff reporter Choe Nam-hyon ]

[FBIS Transcribed Text] The government is changing its role in technology development in favor of building up infrastructure for manpower training, research and development and information dissemination.

More government support will be channeled into technology infrastructure in the years ahead, says an official from the Ministry of Trade, Industry and Energy.

"In our short history of technology development, we have focused on projects that would have quick results. As a result, our technology infrastructure is very weak," the official says.

While increasing investment in technology infrastructure, the government is expected to reduce its support for industrial research and prototype development projects and phase out subsidizing commercialization projects.

The change is in line with the regulations of the World Trade Organization (WTO) on subsidies, which are tighter, more transparent and more specific than those of the General Agreement on Tariffs and Trade (GATT).

Support for commercializing technology is classified as an actionable subsidy and thus may become subject to countervailing duties under the new WTO regulations, says Yun Che-hyong, researcher at the Korea Institute for Industrial Economics and Trade.

If Korea is to avoid retaliation from foreign governments, Yoon says, the government will have to stop subsidizing commercialization projects and channel its support to projects that are not "industry-specific and product-specific" as this would be classified as a nonactionable subsidy.

That is what the government is planning to do.

The government will increase its nonactionable subsidies including those for technology infrastructure, says Minister of Trade, Industry and Energies Pak Che-yun.

The Ministry of Trade, Industry and Energy says it will draw up a five-year blueprint for technology infrastructure expansion this year for implementation at the beginning of next year.

The blueprint will be designed to reduce the technology gap between Korea and the advanced nations, a ministry official says.

One such indication of a gap is the number of researchers, he says, adding that only two out of every 1,000 people are engaged in research and development in Korea, compared with four in Japan.



Under the five-year blueprint, the official says, the government will train technicians in advanced technologies, which would help upgrade domestic industry.

The government also plans to support universities and research institutes when they build or expand their research and development facilities, the official says.

Education and research institutes, however, will have to come up with matching funds if they are to apply for government support, the official adds.

The government also plans to open offices in Detroit, Silicon Valley and other places to help promote the import of source technology in automobile, computer and other advanced areas.

"Those offices will serve as matchmakers between Korean importers and the foreign owners of source technologies," the official says.

The government will also help develop a database for industrial technology and its computer network, he says.

A substantial amount of money will be invested in technology infrastructure before the five-year blueprint is finalized in November this year, he says.

For this year, he says, the government is set to spend 950 billion won on technology infrastructure, including 300 won on manpower training and 400 billion won on research and development.

The manpower training program will focus on the training of technicians designing application-specific integrated circuits (ASICs), writing computer software for imaging and manufacturing automotive parts, the official says.

ASICs and computer imaging are areas where Korea is lagging far behind their foreign rivals.

The 400 billion won research and development project will include support for the construction of a pilot plant for fine ceramics by Hanyang University, a technology complex by Korea University and an engineering research center by Yonsei University.



## Brunei, Malaysia & Singapore

### Malaysia

#### U.S. Urged To Respect 'Right' To Form EAEC

*BK1301050995 Kuala Lumpur BERITA HARIAN in Malay 13 Jan 95 p 2*

[FBIS Translated Text] Kuala Lumpur, Thursday—Malaysia has expressed the hope that the United States will respect the East Asian peoples' right to establish cooperation and agreement through the formation of the East Asia Economic Caucus (EAEC).

Foreign Minister Datuk Abdullah Badawi said that even though the United States had not given its final say on whether or not it openly supports the EAEC, that country should respect the rights of the people in this region.

"I hope that the United States will look at the idea of forming the EAEC as a right of the people in this region to realize cooperation and agreement similar to its right to establish cooperation in its own region.

Abdullah said Malaysia is confident that the EAEC is the best forum for countries in this region because it lends support to the creation of nonbarrier free trade.

"We view EAEC as an agency that can improve the economic status of and development in East Asian countries, whose level of development is still backward," he said.

#### Further on Visit by Japanese Finance Minister

##### Discusses APEC With Mahathir

*OW1301055395 Tokyo KYODO in English 0533 GMT 13 Jan 95*

[FBIS Transcribed Text] Kuala Lumpur, Jan. 13 KYODO—Prime Minister Mahathir Mohamed on Friday [13 January] set conditions for his attendance at a meeting of Asia-Pacific Economic Cooperation (APEC) forum leaders in Osaka in November, Japanese officials said.

Meeting Japanese Finance Minister Masayoshi Takemura, Mahathir said his participation in the coming APEC summit will depend on whether or not the opinions of Malaysia and other developing countries will be fully reflected in freer trade and investment plans for the Asia-Pacific area.

During the 40-minute meeting with Mahathir at his official residence, Takemura conveyed Prime Minister Tomiichi Murayama's wish that the Malaysian premier will come to Osaka to attend the third APEC informal summit, the officials said.

Mahathir said he wants to take part in the Osaka gathering but discussions are needed both on the working and ministerial levels before he can decide about attending, they said.

Takemura has been in Kuala Lumpur since Thursday for a three-day visit to Malaysia, on the third and last leg of a weeklong three-nation tour that earlier took him to China and Singapore.

At the last such summit in Bogor near Jakarta, APEC leaders, including Mahathir, issued a joint declaration calling for transforming the Asia-Pacific region into a free trade and investment zone by 2020.

Japan, as the host of the 1995 APEC events, will have its leadership tested in coordinating the differing views among the 18 APEC countries and territories on the trade liberalization plans.

Malaysia opposes a quicker pace of Asia-Pacific trade liberalization under the leadership of major countries like the United States.

Malaysia has proposed its own version of an Asia-Pacific free trade plan, the concept known as the East Asia Economic Caucus (EAEC) which excludes countries like the U.S. and Australia.

During Friday's meeting, Takemura said an increasing number of Japanese people support the idea of Asian people discussing Asian issues, according to the officials.

The Japanese Government has been noncommittal about Mahathir's EAEC proposal, which is opposed by the U.S.

Mahathir did not attend the first APEC informal summit held in Seattle in November 1993.

Before the Bogor gathering, he warned against U.S.-led free trade proposals, hinting he would skip the Indonesian meeting, too. The latest remarks by Mahathir are expected to put Japan in a difficult position because it is charged with working out a blueprint to materialize proposals in the Bogor declaration.

#### Agreement on Management Training

*OW1301051995 Tokyo KYODO in English 0438 GMT 13 Jan 95*

[FBIS Transcribed Text] Kuala Lumpur, Jan. 13 KYODO—Japan and Malaysia agreed Friday [13 January] to cooperate in developing human resources in Asian countries, Japanese officials said. The officials said the agreement was reached at meetings between Japanese Finance Minister Masayoshi Takemura and Malaysian leaders, Prime Minister Mahathir Mohamed and Deputy Prime Minister Anwar Ibrahim.

Takemura arrived in the Malaysian capital Thursday on the third leg of his weeklong tour of China, Singapore and Malaysia that began Monday. The officials said the agreement followed Takemura's proposal that the two



nations organize seminars and forums to provide know-how on the management of economic policies of Asian countries. Fiscal and monetary policy-makers in Asian countries will be invited to the first seminar to be held in Malaysia within this year, they said.

### **'Second Link' Bridge Project Officially Begins**

*BK1301041195 Kuala Lumpur NEW SUNDAY TIMES in English 10 Jan 95 pp 1,2*

[Report by Jacqueline Teo]

[FBIS Transcribed Text] Johor Baru, Mon.—Work on the Second Link with Singapore was officially launched here today with Works Minister Datuk Leo Moggie saying it will be a boon to tourism and trade between the countries.

"More importantly, it will spur industrial development along Johor's southwest coast as a new township will be developed in Gelang Patah," said Moggie at the ground breaking ceremony at the project site.

The RM [Malaysian ringgit] 266 million bridge which will link Gelang Patah in Johor to Jalan Ahmad Ibrahim in Tuas, Singapore, is scheduled to be opened by November 1997. Work on the Singapore side of the bridge is expected to start in June this year.

The two-kilometre bridge, 300m of which will be in Singapore waters, is the main component of the RM1.2 billion Second Link development.

The project was mooted in 1989 and ratified by Malaysia and Singapore in March last year. It will also include a 36.5km expressway linking Gelang Patah to the North-South Highway and the Sultan Ismail Airport in Senai [Johor].

A second 8.5km expressway stretching from the bridge to Johor Baru will also be built, in addition to the new township spread over 10,000 ha in Gelang Patah.

Moggie said work on the project was on schedule with the expressways expected to be ready by 1997 and the township to be developed in phases over the next 15 years.

The entire development will be undertaken by United Engineers (M) [Malaysia] Bhd [limited] (UEM), which was awarded the project under a privatisation deal signed in November 1992.

The entire project will be developed in two phases. The first involves the construction of protection islands in the middle of the Johor Straits for the main piers of the bridge.

The second phase involves the construction of the Malaysian side of the bridge. Moggie said a special feature of the bridge was that it would incorporate designs by both Malaysia and Singapore.

"This is because the two sides agreed to appoint their own consultants for the design of the bridge on their respective sides.

"However, both sides are working in consultation with each other so that both designs could be merged for the final design, he said.

Certain features of the bridge have been decided. For instance it will have triple carriageway for smooth traffic flow, with a longest span of 165m.

The navigational clearance on the Malaysian will be 75m wide by 25m high, while on the Singapore channel, it will be 75m wide by 12m high.

Moggie said the toll rate for the bridge had not been decided, adding that EUM would be "sensitive to the people's capacity to pay".

Also present at the ground-breaking ceremony was Singapore representative, Mohinder Singh, who is also the director of infrastructure at the Ministry of National Development.

Linkedua chairman Tun Haniff Omar said the company would use the latest in construction technology and engineering to undertake the project.

He said this included the "precast segmental" construction system, which would be adopted for the first time in the country.

He added that Linkedua had also allocated RM13 million for training of 100 fresh engineers, who would be engaged in the project.

"We have worked out a deal with University Teknologi Malaysia [University of Technology Malaysia], whereby graduates involved in the project will be conferred a post-graduate certificate that is recognized by the Board of Engineers, Malaysia," he said.

### **FPDA Consultative Council Holds Meeting**

*BK1201124395 Kuala Lumpur NEW STRAITS TIMES in English 10 Jan 95 p 5*

[FBIS Transcribed Text] Penang, Mon.—The Consultative Council of the Five-Power Defence Arrangement (FPDA) met here today to look into the enhancement of its activities and review of the Headquarters Integrated Air Defence System.

The closed-door inaugural meeting chaired by Defence Ministry Secretary General Datuk Kamaruzzaman Shariff at the Hotel Equatorial in Bukit Jambul here also looked into the administrative arrangements of the council.

Kamaruzzaman said the purpose of the meeting was to strengthen the decision making processes within the FPDA in anticipation of the enhancement of the group's



activities. This was to ensure all future activities are better managed and coordinated, he said in a statement issued here.

The establishment of the council was the outcome of the second triennial meeting of the FPDA defence ministers in Singapore on Sept 20 last year. The council is the amalgamation of the Joint Consultative Council and the Air Defence Council.

### Singapore

#### Prime Minister, Japan's Takemura Hold Talks

*BK1201133495 Singapore Radio One in English 1100 GMT 12 Jan 95*

[FBIS Transcribed Text] Visiting Japanese Finance Minister Masayoshi Takemura has held talks with Prime Minister Goh Chok Tong on wide-ranging issues. Mr. Takemura, who arrived yesterday, also met Senior Minister Lee Kuan Yew and Finance Minister Dr. Richard Hu. At a news conference, Vice Minister for Finance Haruo Funabashi, who is also in the republic, said the talks covered possible bilateral industrial cooperation in China and Vietnam. They also discussed how best to implement the APEC [Asia-Pacific Economic Cooperation] recommendations for the next meeting in Osaka. Also on the agenda were ways on increasing Japan's role in the United Nations peacekeeping forces.

### Cambodia

#### Hun Sen Berates Attempt To Remove Government

*BK1201141095 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 11 Jan 95*

[Speech by Second Prime Minister Hun Sen at 11 January meeting with local people of Tang Krang commune, Batheay district, Kompong Cham Province; poor reception precludes fuller processing—recorded]

[FBIS Translated Summary] The government is urging our farmers this year to expand rice planting in order to offset the current shortfall caused by repeated floods and prolonged drought in many provinces. As part of this campaign, many fields that have been left fallow should be brought under intensive culture and government agencies concerned should provide our farmers with all necessary conditions for the coming rice planting season. Rice seeds should be made available by the end of March and the beginning of April at the latest. However, we will not be able to grow long-term, ordinary rice if we want to increase the frequency of rice planting and will have to be content only with the short-term, fast-growing rice. Also as part of this campaign, it is better to stop the practice of free supply of rice seeds by the state. We should implement the credit system with farmers borrowing rice seed in a given quantity and paying for it after the harvest, even without imposing any interest.

This method will prevent the people from eating up their rice seeds. In the past, some nonfarming families applied for rice seeds and then sold them or used them as food. To prevent this practice, farmers will be asked to return in kind after the harvest what they have borrowed before, interest free.

The government helps farmers build irrigation canals, gives them water pumps, and builds access roads for them, but from now on the farmers will have to borrow the seeds and will not get them for free. Each family has been supplied with hoes and baskets so together we will build canals to solve the irrigation problem. Of course, a numbers of canals are to be built with machinery, but we should use voluntary, free labor to build the rest. The agencies concerned also should be ever ready to meet all the farming schedules in each region. Delay in the supply of needed materials, such as seeds or equipment, will surely cause a complete unbalance and loss to the growing activities.

Allow me to tell you a little of the political issue about supporting the government and protecting our Constitution. On behalf of the government and his highness the first prime minister, I thank the provincial authorities for voicing resolute support for the Royal Government and the determination to help protect and implement the Constitution of the Kingdom of Cambodia. Prince Krompreah talked about this yesterday and REAKSMEI KAMPUCHEA also made a detailed report on it. The government has worked very hard in the past year—and I was sick for a month because of hard work and lack of sleep—to solve the myriad problems of the country. You can see that Prince Krompreah and I are sharing this work tirelessly. You can see and hear that we have been all over the country. And still some persons have called for the dissolution of the government. Yesterday, Prince Krompreah phoned me to tell me that "His Majesty had been asked by two persons to immediately divest Ranariddh and Hun Sen of all power or else the country would be lost to Vietnam." Unbelievable! However, His Majesty put them in their right place by telling them not to give him any lessons on respecting the Constitution. When addressing the Navy at Ream recently I urged the Khmer Royal Armed Forces [KRAF] to be ever ready to punish anyone who dares sabotage the Constitution. I just could not understand these persons' reasoning; why did they ask His Majesty to remove the government on pain of losing the country to Vietnam? They used the same language the Khmer Rouge uses.

So, I am not wrong to have notified the KRAF to be on the alert against anyone trying to undermine the Constitution either from within or from without. "Some people said my statement was just an empty warning. This is not just a warning, for I will follow it with action. In the July coup attempt, it was I who, on behalf of Prince Krompreah, crushed it. This time again, I will crush it if there is another coup attempt. We already have the Constitution, the law, why don't we just follow it? They said they knew His Majesty was not very pleased with this Constitution. But



His Majesty has again and again made known he had nothing against the Constitution, that he respects it. They wanted to push His Majesty into a deep ravine, to make His Majesty personally violate the Constitution. That was their intention. But His Majesty was not taken in. He has repeatedly announced his respect for the Constitution. We wonder why they did that.

"Allow me to be frank with you. I always call these persons custodians of the spirit house. The spirits never demand offerings from anyone. It is these custodians who keep whispering to all gullible people that the spirits are very powerful and want bananas as offering."

When I talked at Ream about the need to be alert I did not name any names. But one after another they revealed themselves by admitting that I had meant them. Now again, I do not name names when I say they are custodians of the spirit house. Some have said I am undiplomatic but I think that it is they who are undiplomatic. They made me mark them as custodians of the spirit house because it is not the spirits, but they who want to eat the bananas or, in other words, it is they who want power and not the king. And the king did not give them the pleasure of having what they craved. "Consequently, I would like to appeal to those who wanted to dissolve the Constitution and remove the legitimate government: Please, hands off; it is not a good thing to do. As a prime minister fully empowered by the Constitution and appointed by his majesty the king, together with Prince Krompreah, I have the duty to command all forces to defend the Constitution and punish anyone who seeks to undermine the Constitution and the legitimate government."

To the charge that all of the country will be lost to Vietnam if this government is allowed to remain in power for another year, let me ask you who else is more patriotic than our king? Under the Constitution, the king is the guarantor of the country's independence, sovereignty, and territorial integrity. In case of aggression by whatever party, his majesty the king will use the instruments at his disposal, namely, the Royal Government and the KRAF in his capacity as the supreme commander to counter it. We have the National Assembly, the government, and the Army to fight and prevent foreign invasion and occupation. Why blame the government and say that its remaining in power will cause the loss of the country? Dissolving the government is not a laughing matter. If you dissolve it twice within 12 months, the National Assembly will have to be dissolved too. You just cannot dissolve the government for the sake of dissolving. Read the Constitution. The question is not about having Ranariddh or Hun Sen as prime minister; it is about respecting the Constitution. According to the Constitution, if Hun Sen or Ranariddh is removed, he will be replaced by another member of his party and not by any Khmer Rouge or any other person outside the National Assembly.

Moreover, 1994 must be considered the best year of our government. The push for national reconciliation was

tremendous. Cooperation in the government and the National Assembly has generated strong confidence in and great political stability for the country's development. Large-scale Khmer Rouge defections have seriously drained the rebel ranks, forcing them to flee to more distant and remote areas. In Kompong Cham Province alone almost all rebel forces have crossed over. This is a great success for the government. And there are many other strong points that the government has displayed over the year; but these persons have refused to acknowledge them. They want to see only our weaknesses. Just compare what we have achieved now with what we used to be under the Khmer Rouge before 7 January 1979 when most of you went bare footed and had only one set of black clothes to wear. You are the ones to know that our living conditions have improved tremendously under this government.

### **Ranariddh Criticizes Son Sann's 27 Dec Appeal**

*BK1201140095 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT  
11 Jan 95*

[FBIS Translated Text] Prince Krompreah Norodom Ranariddh said outside the Royal Agronomy Faculty meeting hall on the morning of 9 January that he deeply regretted that Samdech Son Sann, who is a veteran politician as well as the doyen of the National Assembly, had issued an appeal without taking into account the Constitution and knowing what is right or wrong. The violation of the state's supreme law is tantamount to staging a coup d'etat. The prince, first prime minister of the Royal Government of Cambodia [RGC], stated this when asked about his opinion on the appeal issued on 27 December 1994 by Samdech Son Sann calling on the RGC to hand over all necessary power to His Majesty, enabling the monarch to achieve his national reconciliation crusade.

Prince Norodom Ranariddh added that His Majesty used to be a national leader for years, so if he realizes the nation is about to face danger, he should then invite the government or the National Assembly to make an inquiry. The Constitution clearly states that the king shall communicate with the National Assembly by message. His Majesty emphatically states in a message that: I respect the Constitution; therefore, I can do nothing outside the Constitution.

"His Majesty used to be the most hapless victim of the 1970 coup d'etat which has utterly ruined us so far. He condemns coups that occur everywhere." The prince further said that we always ask His Majesty not to do anything that goes against the Constitution, which would be tantamount to a coup d'etat, since the Constitution is one that our king has protected and respected.

Prince Ranariddh said some people dare to tell the king that if the RGC is allowed to stay on for another year, the country will be occupied completely by Vietnam. His Majesty said when he was in charge of state affairs, he



defended the country's independence, sovereignty, and territorial integrity at all times. Our national Constitution, the king added, clearly states that the king shall be the guarantor of national independence, sovereignty, and territorial integrity. Therefore, no dignitary with whatever high position is supposed to give him lessons. He will do what the Constitution allows should he realize national survival is under threat.

Finally, Prince Ranariddh called on everyone to respect the Constitution, the supreme law of our state, which, His Majesty always says, he must be the first to respect.

Recently, Second Prime Minister Samdech Hun Sen also unequivocally stated to the Khmer Royal Armed Forces [KRAF] in Sihanoukville that in his capacity as prime minister and co-commander in chief, he will at all costs punish anyone who attempts to destroy the Constitution through either violent or nonviolent means.

#### **Ranariddh Denies Threat Against Sam Rangsi**

*BK1201133895 Phnom Penh REAKSMEI  
KAMPUCHEA in Cambodian 12 Jan 95 pp 1, 2*

[FBIS Translated Text] First Prime Minister Prince Norodom Ranariddh of the Royal Government of Cambodia categorically denied a report that alleged Second Prime Minister Samdech Hun Sen had met him to ask for his approval to get rid of former Finance and Economy Minister Sam Rangsi, who was forced to resign after 15 months in office.

Addressing journalists at the Chamka Dong University of Agriculture in the morning of 9 January, the prince unambiguously affirmed: "I fully deny it; it is not true."

He went on to say: "They claimed it was from a source close to the palace; but I just cannot accept that."

SAMLENG YUVEAKCHON KHMER [THE VOICE OF THE KHMER YOUTH] published a report on Sunday, 8 January, contending that according to an unnamed source close to the palace Samdech Hun Sen had asked the prince for approval to get rid of Sam Rangsi.

About that, Prince Krompreah said: "It is not true...my job, my duty is to provide security for everybody, whether he is Sam Rangsi or not. And not just Mr. Sam Rangsi's, also your (the journalist's) life if it is threatened then I will have to protect it."

Concerning the report of SAMLENG YUVEAKCHON KHMER citing his remark during Princess Marie Ranariddh's birthday at the French restaurant La Pacha on 21 December when he said in jest: "There will soon be another widow—Somura," the prince explained that he made that joke because "Mrs Sam Rangsi is a beautiful woman" and that in his mind he did not mean it as a threat.

The prince, however, added: "It is true that many Army and police officers are unhappy with Sam Rangsi's comments about corruption in the Army."

Personally, he said, I admit that a number of Army generals are corrupt but to those soldiers who have dedicated all their lives ensuring national security, it hurts to hear charges that the government and the Army are corrupt and engage in illegal logging activities while nothing is said of the Khmer Rouge. For this reason, many Army and police officers are not pleased with the remarks by Sam Rangsi.

Prince Krompreah pointed out that Sam Rangsi did not say anything about the Khmer Rouge cutting trees and digging gems to get money with which to buy arms, not for fighting the Vietnamese, but for killing fellow Cambodians, burning their houses and schools, hospitals, and so on.

Talking about the situation in the country, the prince said: We enjoy stability and we have been successful in attracting foreign investors. I want to show that "Cambodia is stable."

#### **Khmer Rouge General Defects in Kompong Cham**

*BK1301131895 Phnom Penh AKP in French 0405 GMT  
13 Jan 95*

[FBIS Translated Text] Phnom Penh 13 Jan (AKP)—In early January Kompong Cham Province received a Khmer Rouge General, Dup Vut, former deputy commander of Division 417, and 50 soldiers who returned to O Viech village north of Chamka Leu District.

Aged 45 and a native from Prey Khla commune in Kaoh Andet District on the border with Vietnam (Takeo Province), Dup Vut had fought in the Khmer Rouge army since 1970.

"The Khmer Rouge, who did not take part in the general election organized by the United Nations, are isolated. Furthermore, they have been outlawed by the National Assembly. At present they are short of weapons, ammunition, food supplies, and medicine," revealed the general. He admitted that his troops survived only through robbery and that his superior daily gave him orders to burn villages, destroy bridges, and kill government officials and combatants. Dup Vut and his comrade-in-arms therefore decided to leave the guerrillas. "The time has come for me to (?join) the nation. It was [words indistinct] to leave the ranks of the Khmer Rouge army," he said.

Since 1 October Kompong Cham Province has received over 300 Khmer Rouge returnees.

It should be noted that in 1994 over 5,000 Polpotists were reintegrated into the national community.

#### **Commentary Urges KR To Defect Before Deadline**

*BK1201124995 Phnom Penh National Radio of  
Cambodia Network in Cambodian 1300 GMT  
11 Jan 95*

[Station commentary: "Help Yourself and God Will Help You"]



[FBIS Translated Text] According to reports from Siem Reap Province, the Khmer Rouge [KR] have suffered serious defeats in Sot Nikum and Chikreng Districts. They also have been unable to withstand the onslaughts launched by the Khmer Royal Armed Forces, which are resolutely defending the Constitution and wiping out the Khmer Rouge hideouts. Moreover, realizing the barbarous and wicked acts of their ringleaders, many Khmer Rouge officers and soldiers have defected to the government side. During the first five days of January, 237 former Khmer Rouge elements turned themselves in to the government side, bringing along 207 assorted weapons and six walkies-talkies. Three of these defectors are officers. This event has improved the situation in Siem Reap Province.

It should be noted that during the whole of 1994, a total of 1,455 former Khmer Rouge soldiers turned themselves in to authorities in Siem Reap Province, bringing along 1,242 assorted weapons and six ICOM walkie-talkies. All those Khmer Rouge defectors came from Divisions 912 and 980. A total of 1,059 of them defected in December 1994, including 40 officers. They brought along 962 assorted weapons and 398 families.

Becoming more enraged by their bitter defeats, the Khmer Rouge are resorting to a new abject scheme, that is, to shoot and kill any Khmer Rouge elements who are suspected of preparing to defect to the Royal Government. Moreover, they have poisoned water in ponds and streams to cause tragedy among the people and national army. Worse still, the Khmer Rouge rebels have intensified activities such as burning down and destroying people's houses and property and indiscriminately shooting and killing the people.

It should be noted that for the whole year in 1994, the Khmer Rouge committed barbarous crimes in Siem Reap Province by burning down 968 houses, seven schools, six commune offices, and many hospitals and sawmills. They also killed (?71) persons and wounded 116 others. They have caused nearly 1,000 families to lose shelters and over 30,000 others to become famished.

The ultimate goals of this barbarous activity are:

1. To make their officers and soldiers owe much more blood debt to the people so that, whether they like it or not, these men would not dare to defect to the government.
2. To force the people in the contesting areas to abandon their crops, farms, and land to seek shelter in other safe areas, thus avoiding the people from urging their officers and soldiers to defect to the government's side.
3. They have caused the poverty and misery they created to drag on endlessly and then put the blame on the Royal Government while inciting class hatred among their soldiers so as to arouse them to continue to fight and die for them.

4. When the number of refugees increases, the Royal Government must spend quite a large amount of fund to support the people, thus causing a delay to the government's rural development plan. This will enable them to continue to survive. But due to their brutal and barbarous acts, the innocent and repentant Khmer Rouge soldiers who deplore such acts have kept defecting en masse.

Analysts have noted that the Khmer Rouge are currently implementing deadlocked tactics

Therefore, the compatriots who are still living with the Khmer Rouge rebels should realize that the Royal Government's six-month amnesty term for the Khmer Rouge rebel group is drawing to an end. Although there have been mass defections by Khmer Rouge rebels, the Royal Government of Cambodia has no plan to extend the amnesty deadline which will expire this Sunday [15 January].

When the amnesty period expires, all Khmer Rouge rebels will be dealt with according to the law. The sentence will be an imprisonment term of up to 30 years for rebellious activities and incitement to arms.

For this reason, the compatriots should quickly repent, desert the rebels, and return to the fold before the deadline given by the Royal Government.

Help yourself and god will help you.

#### **Advance Team Leaves To Prepare for SRV Visit**

*BK1201152595 Phnom Penh AKP in English 0954  
GMT 12 Jan 95*

[FBIS Transcribed Text] Phnom Penh AKP January 12—An inter-ministerial advanced team led by Ung Sean, under secretary of state for foreign affairs and international cooperation left Phnom Penh yesterday for Vietnam to pave the way for an official visit there by Cambodian first prime minister.

Samdech Krompreah Prince Norodom Ranariddh, first prime minister of Cambodia will lead a delegation to pay a three-day official visit to Vietnam to discuss border issues, immigration, education and transport.

The visit which will begin on January 15 will focus on agreements made between the two countries last year.

#### **French Official Asks Hun Sen To Allow TV Broadcast**

*BK1201152995 Phnom Penh AKP in English 0943  
GMT 12 Jan 95*

[FBIS Transcribed Text] Phnom Penh AKP January 12—Co-prime Minister Hun Sen has said that the Cambodian Government did not ban media from criticizing the government and welcomed all constructive criticism.

Speaking to Ms Catherine, expert of France Information Centre (C.F.I) during a meeting here Tuesday, Hun Sen



said the Royal Government had not prohibited the critique but pressmen should not do it if the critique would split the solidarity and was untrue. [sentence as received]

He also asked the media to let the government to carry out two- main-point policy: the national reconciliation and national reconstruction.

France Information Centre (C.F.I) has requested to include its 10 minute program a day in the state-run television (TVK). The programme would be effective from Jan. 16, 1995.

Hun Sen said television program should avoid the transmission effecting the Cambodian culture ad custom for it would badly influence the Cambodia society.

## Indonesia

### Vice President Meets PRC Procurator General

*BK1201115295 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 12 Jan 95*

[FBIS Translated Text] Vice President Try Sutrisno has called for the enhancement of Sino-Indonesian legal cooperation, particularly in the face of growing international crimes. International cooperation is needed to combat international crimes. Vice President Try Sutrisno expressed the hope when he received a courtesy call from PRC Procurator General Zhang Siqing at the vice presidential office today. The PRC guest's visit is designed to establish legal cooperation between the two countries.

Yesterday, Indonesia and China signed an accord on exchanging visits by senior officials of the Attorney General's Office of the Republic of Indonesia and the PRC Supreme People's Procuratorate. Attorney General Singgih, who accompanied the PRC guest, told reporters that the two sides would exchange information on the modus operandi of crimes under the cooperation accord. Law enforcers need to exchange information in view of the mutual visits by citizens of the two countries.

### Government To Renegotiate EU Textile Quota

*BK1201104095 Jakarta THE JAKARTA POST in English 3 Jan 95 p 8*

[FBIS Transcribed Text] Jakarta (JP)—The joining of Austria, Finland and Sweden to the European Union [EU] at the beginning of this year has hampered Indonesia's textile exports to the three countries, Minister of Trade Satrio B. Judono said. He told newsmen in a new year press gathering at his office yesterday that the joining of the three countries has caused new import barriers for textiles, including those from Indonesia. Judono specified that some of the new barriers are higher import tariffs and the introduction of a quota system for textiles.

"After entering the EU, the three countries automatically adopt all regulations, including the quota system. This will disrupt the already good relationship between textile exporters here and importers in the three countries," Judono said.

The Ministry of Trade called on Indonesian textile exporters dealing with importers in the three countries to report themselves to the ministry for quota allotment.

Textile exporters who have already acquired import quotas to the the 12 old members of the EU are automatically able to export their textiles to the three new members beginning this year.

Austria, Finland and Sweden officially joined the EU on January 1 1995, bringing to 15 the total number of union members.

In 1992 Indonesia exported 1,642 tons of textiles and textile- related products worth U.S.\$ 17.1 million to Austria, 660 tons worth \$4.7 million to Finland and 1,731 tons worth \$23.78 million to Sweden. Indonesia's total textile exports in 1992 stood at \$5.96 billion, which increased to \$6.06 billion in 1993. During the January-August period of last year, exports of those products reached \$3.84 billion.

According to the Indonesian Textile Association, Indonesia's export of textile products under category 23, staple fiber and waste, to EU countries increased by 43 per cent in 1993, making Indonesia the largest textile supplier to the EU, whose total textile imports exceeded 50,000 tons.

However, in negotiations last month with the EU Commission to revise the existing quota, Indonesia failed to seek a quota of 20, 000 tons per annum of category 23 for Indonesia textiles.

The EU proposed 12,500 tons—and a further 1,000 tons after Austria, Finland and Sweden entered the EU—but Indonesia did not accept it.

Director General of Foreign Trade Joko Mulyono said yesterday that the negotiations will resume again very soon.

Minister Judono noted that Indonesia will seek the highest possible quota in the next negotiations. "If we get a high quota we can ensure the continuity of textile exports to the European countries, although the export growth will be limited by the quota system."

Under the new General Agreement on Tariffs and Trade, which officially came into effect on January 1 this year, a quota system will be phased out within five years and changed with a tariff system.

### Foreign Minister Views Expanded Timor Talks

*BK1301094095 Jakarta ANTARA in Indonesian 0649 GMT 13 Jan 95*

[FBIS Translated Text] Jakarta, 13 Jan (ANTARA)—The Ramos Horta group will be allowed to attend an



expanded intra-East Timor meeting if it honors the consensus reached by Indonesia, the UN secretary general, and Portugal. Foreign Minister Ali Alatas told reporters that the expanded intra-East Timor meeting was proposed by UN Secretary General Butrus Butrus-Ghali.

The foreign minister was speaking after accompanying Cypriot House Speaker Alexis Galanos during a courtesy call on President Suharto on Cendana Street [Suharto's residence] Friday.

East Timorese who support and who oppose East Timor's integration into the Republic of Indonesia held a meeting in London recently. The pro-integration group was headed by Lopez da Cruz while those opposed to integration were led by Abilio Araujo.

Alatas, Butrus-Ghali, and Portuguese Foreign Minister Barosso held a meeting in Geneva recently to discuss the East Timor issue.

Alatas said Indonesia conditionally accepted the UN secretary general's proposal. The conditions were later accepted by the United Nations and Portugal.

Indonesia maintains that the political status of East Timor should not be discussed during the expanded meeting, because the meeting is aimed at reconciliation among East Timorese groups in Indonesia and abroad. In addition, the expanded meeting should not become a rival channel to the tripartite talks involving Indonesia, Portugal, and the United Nations.

"Any East Timor leader, including Ramos Horta, can attend the meeting, but they must honor the consensus reached by Indonesia, the United Nations, and Portugal," Alatas said firmly.

He said the expanded meeting will not be arranged or held by the UN secretary general or his deputy because it will not be at the government level.

"The meeting will be attended by a UN deputy secretary general as an observer [preceding word in English]," he said.

He said Indonesia has given the United Nations the opportunity to contact any group—Lopez da Cruz, Abilio Araujo, Lobato, and even Ramos Horta—although the expanded meeting will not be held by the United Nations.

Discussing the call on President Suharto by Cypriot House Speaker Alexis, Foreign Minister Ali Alatas said the guest conveyed a message from his government regarding the stalled talks between the Greek and Turkish Cypriot communities. The Cypriot Government asked President Suharto for ideas on settling the issue in his role as chairman of the Nonaligned Movement. During the meeting, the president promised to study the Cypriot issue.

### Editorial Views 'Constructive' Talks on E. Timor

*BK1301021195 Jakarta SUARA PEMBARUAN in Indonesian 11 Jan 95 p 2*

[Editorial: "Constructive Dialogue Between Indonesia and Portugal"]

[FBIS Translated Text] The fifth tripartite meeting on East Timor between Indonesia and Portugal under the auspices of the UN secretary general in Geneva on Monday (9 January) ended with the issuance of an official communique by the UN secretary general.

We can point out several important points from the meeting. First, the meeting between Indonesian Foreign Minister Ali Alatas and his Portuguese counterpart Durao Barroso in the presence of UN Secretary General Butrus Butrus-Ghali at UN headquarters in Geneva lasted longer than the previous meetings. Second, during the previous meetings, the East Timor anti-integration groups held protest rallies near the site of the meetings, but this time, there was no such a thing.

The outcome of the meeting said that both foreign ministers agreed to comply with the UN secretary general's wish to facilitate the convening of talks attended by all groups in East Timor.

Theresa Gastra, secretary to the UN secretary general, who read the eight-point communique said that the meeting serves as a vehicle to facilitate free and unrestricted exchange of views. The meeting is expected to have a positive impact on the situation in East Timor and create a situation conducive to a settlement to the East Timor issue.

The UN secretary general stressed that the meeting will not discuss East Timor's political status and will not serve as a parallel forum to other negotiations outside the tripartite meeting to create a situation conducive to a successful meeting by all groups in East Timor.

The UN secretary general called upon all groups in East Timor to exercise restraint and avoid actions that may disrupt the tripartite meeting. Dr. Ghali also hoped that both Indonesia and Portugal will work together to support his initiative and encourage the East Timor people to give constructive response to his proposals to solve the conflict.

The UN secretary general noted that both foreign ministers had agreed to discuss substantive issues on East Timor to find a fair and comprehensive settlement acceptable to the international community. It also was agreed that the next tripartite meeting will be held in New York on 19 May 1995.

We know that the fifth tripartite meeting lasted eight hours. No previous meetings lasted that long. This shows how complex and intricate the issues are. What seemed time-consuming was the topic on the plan to hold talks attended by all those groups involved in the East Timor



issue. Both Indonesia and Portugal are required to support and facilitate the convening of the talks.

We believe that even though all groups in East Timor will take part in the talks, East Timor's political status should not be on the talks agenda. Such talks should not serve as a parallel forum to the tripartite meeting. We have to make this clear because for Indonesia, the tripartite meeting is the only channel to find a settlement to the East Timor issue. Nevertheless, Indonesia supports the convening of the talks which will involve all groups in East Timor as long as the talks are informal dialogues based on a spirit of reconciliation and will not discuss East Timor's political status.

Following the initiative taken by the UN secretary general, we can come to the conclusion that the recent Geneva meeting was much more constructive and concrete than the previous meetings.

However, it will take some time for us to convince Portugal that as far Indonesia is concerned, the East Timor issue is over. Portugal continues to say that if the East Timor people are not given full autonomy, that country should be allowed to return to East Timor until a permanent settlement is reached. Such an idea is not only unrealistic, but also impossible and it is like turning the clock backward.

#### **Commentary Welcomes Expanded E. Timor Dialogue**

*BK1201124595 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 12 Jan 95*

[Station commentary]

[FBIS Translated Text] In the tripartite dialogue on East Timor with the UN Secretary General Butrus Butrus-Ghali in Geneva, Indonesia and Portugal have noted Ghali's proposal for a UN-sponsored open dialogue, to include all East Timor groups, for the settlement of the East Timor issue. The UN secretary general also has offered to play the role of facilitator and make necessary preparations for the convening of the dialogue between the East Timor people inside the country and those residing abroad.

The dialogue will be an informal forum for the free exchange of ideas so some progress can be achieved to create a positive atmosphere to settle the East Timor issue. The dialogue will not discuss the political status of East Timor and it will not be treated as a meeting that is parallel to the UN-sponsored ministerial level meeting or one that will replace the tripartite dialogue.

Actually, a similar effort involving East Timor members of parliament was carried out several years ago. The outcome led to the meeting between the former leader of the FRETILIN [Revolutionary Front for an Independent East Timor], Abilio Araujo, and Indonesia's revolving ambassador, Lopez da Cruz, in London in June 1994.

The UN secretary general said the meeting contributed significantly to efforts to settle the East Timor issue.

As we all know, East Timor was integrated with Indonesia in 1976 and the debate on the status of the province at the UN General Assembly, lodged by Portugal in 1975, continued to receive increasing votes of abstention. Finally, at the UN General Assembly in 1983, Norway proposed that the debate on East Timor status be put aside. In the following years, the issue was only discussed between Indonesia, Portugal, and the UN secretary general under UN sponsorship. This goes to show that Portugal is in a desperate position in the international community, where as development in East Timor continues to progress to such an extent that the standard of the people's welfare vastly differs from what it used to be under Portuguese occupation. Should there be small incidents occurring in the province, they are nothing more than just an exhibition of actions and should not be blown up.

As far as Indonesia is concerned, the integration of East Timor is no longer an issue. The tripartite dialogue between Indonesia, Portugal, and the UN secretary general is actually a decision made by the UN, except that Portugal and the former FRETILIN figures used it for the purpose of withdrawing honorably from their involvement in the issue.

#### **Businessmen Voice Grievances About Economy**

*BK1201022895 Jakarta REPUBLIKA in Indonesian 11 Jan 95 p 1*

[FBIS Translated Excerpt] Jakarta—The issue of high-cost economy, cited by Industries Minister Tunky Ariwibowo and Manpower Minister Abdul Latif, has elicited a response by businessmen, who agree that the high-cost economy is causing problems for the business world. Two things seen as the main causes of high-cost economy are the lengthy process in the issuance of permits and illegal levy.

"Illegal levy in Indonesia is widespread and involves a lot of money," said Imam Taufik, owner of Gunanusa Utama Fabricator Co. Ltd. in Jakarta yesterday. The amount of levy which leads to a high-cost economy is different, depending on the type of industry. Imam said the illegal levy in the basic machinery industrial sector stands at about 15 to 20 percent of production costs. In other types of industries, the illegal levy may stand as high as 20 to 30 percent.

These levies have caused a lot of problems for businessmen because they make companies inefficient and their products uncompetitive. Imam said many people feel that Indonesia is no longer a good place for investment. "If we do not improve this situation, many businessmen will shift their operations overseas where the investment climate is better," he said.

However, Herman Sudarsono, chairman of the Indonesian Real Estate Association, believes that the lengthy



process of obtaining permits is more burdensome than illegal levy. He said that the long wait for the issuance of permits is related to the high interest of loans one has to pay. He cited housing projects as an example. One's investments will be recouped once the construction of houses is completed, but if it takes a long time to get the construction permit, a lot of time goes by before construction starts. During the waiting period, the housing developer will have to pay bank interest of at least 2 percent a month. "The interest we have to pay may be higher than the illegal levy. I can only hope that the government will guarantee the smooth issuance of construction permits," he said. [passage omitted]

### Editorial Urges 'Political Decision'

BK1201144495 Jakarta KOMPAS in Indonesian  
12 Jan 95 p 4

[Editorial: "Low Labor Wages and Illegal Levies on Businessmen"]

[FBIS Translated Text] Indeed, we will see a severe injustice if we link low labor wages to considerable illegal levies imposed on businessmen. However, this is a reality that we are facing.

Businessmen are making a loud noise at a time when we are discussing the destiny of workers who continue to receive wages insufficient to meet their minimum physical needs. The bottom line is that businessmen are not unwilling to improve the welfare of their workers, but they are facing a great problem in terms of high expenses in addition to production and overhead [preceding word in English] costs. These are illegal levies.

Some could simply accuse businessmen of making excuses or seeking a scapegoat to avoid being found guilty of having trampled on the rights of workers. If workers ask for their rights, businessmen can easily refer to a third party to help "settle" the problem.

Such distrust is very natural in some of the people. The feeling of being left behind and awareness of opportunism and collusion have had a deep impact on some of the people.

On the one hand, what must we do as we are facing realities which do not seem to be mutually supportive? We are facing a great problem due to global competition. The problem is the low competitiveness of our economy. This has been partly reflected in a decline of our exports.

On the other hand, we are required to immediately improve the welfare of workers. The settlement of this problem cannot be delayed for the sake of a peaceful business climate and, more importantly, national stability. However, higher wages could reduce the competitiveness of business circles.

Without overlooking the fact that some businessmen are dishonest or indifferent to problems around them, we can in fact easily accept complaints aired by businessmen.

We witness illegal levies imposed on cargo trucks on the streets everyday. In dealing with the bureaucracy, we must certainly spend some extra money just to get an identity card.

We are very familiar with the terms security funds, protection money, or polish. Procedures to establish and engage in businesses are sometimes very lengthy and require businessmen to deal with so many departments and officials.

For businessmen, every rupiah spent is considered a cost. If possible, this cost will be imposed on products. As a result, consumers will bear the final burden. If competitiveness is not possible, businessmen will seek other ways. Tax manipulation, banking fraud, and a curb on labor wages will become alternatives because there is a limit to cutting other costs such as the market prices of raw materials.

Under such circumstances, labor wages very likely will be sacrificed first because labor is an internal factor of or directly controlled by a company. The likelihood is supported by the reality that the number of our workers far exceeds the capacity of our economy to absorb them.

For example, certain industries, which do not rely on skilled workers, fire 100 workers today and can easily get hundreds and even thousands of successors tomorrow. Thus, labor problems frequently emerge in such industries.

We agree with Manpower Minister Abdul Latief and Industries Minister Tunky Ariwibowo that licenses are a sensitive point which can open the way for illegal levies. Thus, we should support the government's determination to continue economic deregulation and debureaucratization measures.

We consider the policy appropriate because we have enjoyed the fruits of the previous economic deregulation and debureaucratization measures. Continued high economic growth, the improvement of the people's welfare, and the greater participation of businessmen in development have been the fruits of the government's consistent policy.

However, some points still need to be noted. Efforts to simplify and even abolish licenses have not equally led to the abolition of various illegal levies in society, including businessmen. This is a reality despite almost two decades of continued economic deregulation measures.

Illegal levies do not seem to be simply related to the existence or absence of licenses. Illegal levies are not simply an economic problem. Thus, an economic approach alone is insufficient to overcome them. To a greater extent, a political decision is needed to overcome them.

### \* 7% Economic Growth Predicted for 1995

95SE0055A Jakarta KOMPAS in Indonesian 18 Nov 94  
pp 1, 13

[FBIS Translated Text] Jakarta (KOMPAS)—A 7 percent economic growth is projected for Indonesia in 1995,



which is better than the 6.7 percent growth estimated for 1994. National economic growth may be accompanied by inflationary pressure and an expanding current account deficit.

Therefore, it is very important that monetary and fiscal authorities be cautious in order to keep the pressure of inflation from producing an overheated economy. Similarly, members of the private sector should be skillful in reading signals rather than merely running their own businesses.

Dr. Hadi Susastro, executive director of the CSIS (Center for Strategic and International Studies), said this Thursday, 17 November, in his speech to leaders of the KOMPAS-Gramedia Group in Jakarta. Benny Subianto, vice president-director of PT [Limited Company] Astra International and vice president-director of PT United Tractors, also had a part.

Dr. Hadi said that experts have their own separate estimates of the economic growth rate for 1994. Some say 6.7 percent, but others guess it will reach 7.7 percent. The factors that must be looked at in estimating national economic growth for next year are not international trends alone but this year's national economic performance, too.

Internationally, he said, estimates generally show that the economic growth of several developed countries will improve. The economies of Germany, which showed negative growth this year, and Japan, which had no growth, are expected to move forward. "Although they will not yet reach normal conditions, I think it is possible they will achieve 2 percent growth," Hadi said.

Growth is a little slow in coming in the United States, however. While growth is expected to reach 3.6 percent in 1994, it is predicted at about 2.8 percent next year. The reason for this is the government's policy to restrain inflation, which is beginning to be felt as a burden on the people. The U.S. economy, which is expected to grow well (despite a small decrease from this year), plus the improving economies of other developed countries, afford us an opportunity for national economic growth through exports.

Of the 11 sectors that are components of the Indonesian PDB (gross domestic product), seven sectors will grow more than in 1994 and will be the impetus for economic growth. The seven sectors are agriculture, 2.6 percent; mining, 3.5 percent; manufacturing, 10 percent; electricity, gas, and water, 12 percent; transportation and communications, 10 percent; trade, restaurants, and hotels, 8.1 percent; and government, 2.5 percent.

The other four sectors will also grow, but less than in 1994. The construction sector, for example, is projected to grow by 10 percent in 1995 (down from 12.5 percent in 1994). The banking and financial sector will grow by 11 percent (12 percent in 1994), the housing rental sector

by 4.5 percent (5.5 percent in 1994), and other services by 8.5 percent (9 percent in 1994).

According to Benny, who with Hadi represented businessmen, the overall optimism toward increased economic growth in 1995 is driven by business climate improvements produced by deregulation. Tight conditions in the monetary area are not as in 1990-91.

Similarly, the cost of credit has undergone a reduction that will spur the manufacturing sector. This is further strengthened by the sharp jump in the inflow of PMA (foreign capital investment) and PMDN (domestic capital investment). These two sectors usually have a strong influence on growth in the manufacturing sector.

By October 1994, \$23.1 billion in approved PMA had been recorded, an increase from \$8.1 billion in 1993. Meanwhile, approved PMDN jumped to 50.9 trillion rupiah in 1994 from 39.4 trillion rupiah in 1993.

Citing statements by economists and projections by international organizations, Benny said that non-oil-and-gas exports will also recover. Optimism over recovery of non-oil-and-gas exports comes primarily from the projections of international organizations.

Likewise, the oil sector will not be a cause of concern in the APBN [National Budget] and in the macroeconomic picture. Since May 1994, the price of Brent-type oil has been more than \$16, whereas previously its average price was less than \$16 per barrel. In 1995, the average price of oil will be around \$18 to \$20 per barrel. "There will be no windfall profits with that price, but it will be quite satisfactory," Dr. Hadi emphasized.

Domestically, the government has made a commitment not to take any steps like those that in the past have turned some domestic business activities upside down. It is hoped that reduced taxes and Government Regulation No. 20/1994 on latitude for foreign investment will increasingly attract foreign investors to Indonesia.

Nevertheless, Dr. Hadi feels that the Indonesian economy still lacks a sufficiently strong foundation to avoid problems that could occur in 1995. Foreign exchange reserves, for example, are only about \$12.5 billion, or enough to pay for imports for less than five months.

The safe threshold for foreign exchange reserves is coverage of imports for at least three months. Although more than the threshold, Indonesia's foreign exchange reserves are still low and vulnerable to sudden increases in imports. Compare Malaysia, for example, which has foreign exchange reserves of \$70 billion.

Caution is needed in this matter because of the growth trend of domestic investments, 50 percent of which are usually used to pay for imports. Likewise, although problems have been resolved, Indonesia is still haunted by a minimal economic infrastructure. The same is true



of manpower that is ready to be used. Are these two areas ready to accommodate the increase in investments?

These are some of the things that prompted Dr. Hadi to say that there are still domestic problems. One problem is relatively high inflation. "This will clearly affect the government's economic policy next year," he said. He predicted that because of the inflation factor, the government will probably reduce the growth rate of money on the market. A debate indeed still exists about an overheated economy. "Such a situation will not come about if credit expansion is not ignored," he said.

Another problem, Hadi added, is that of the growing deficit in the current account (the difference between exports and imports of goods and services). This is primarily a result of the slow growth of exports and the rising growth of imports. Hadi predicts that the 1994 export growth goal of 16 to 18 percent annually will not be met. He expects exports to grow by only 11 to 13 percent. On the other hand, the growth of imports will swell to about 15 percent.

Hadi said these conditions will make the current account deficit grow to \$4 billion or \$5 billion, or about 4 to 5 percent of the PDB. "The government will consider a deficit like that to be too big, because the government wants it to be only 2 to 3 percent of the PDB. Therefore, do not be surprised if there are tightening actions," he said.

To overcome this deficit, the rupiah could be depreciated faster, which would make imports more expensive. "The consequence of that would be inflationary pressure," he said.

Hadi said that there is no supremely effective instrument for dealing with the two undesirable economic indicators, inflation and the current account deficit. As for inflation, because of deregulation the BI [Bank of Indonesia] no longer has the reins in its hands. "The BI can use only the principle of persuasion on banks to keep them from expanding credit," he said.

Similarly, the BI also has experience in resolving the current account deficit problem. "The question, however, is how the BI can overcome the large pressure on the current account deficit," he said.

Moreover, the two instruments consisting of fiscal and monetary policies have almost never been used domestically. "Actually, those two instruments have become powerless," he said. Therefore, he hopes the private sector will be skillful in deciding whether economic signals indicate danger and whether they are good or bad for business activity.

Hadi presented two reasons for the lower export growth rate in 1994. First, there is the external factor in the form of a tighter market for exports of non-oil-and-gas commodities, as happened to the plywood market in the PRC. The PRC is trying to resolve the overheating of its economy.

The second very likely reason is the reduced supply of goods for export. "That is probably the result of tight-money policy at the beginning of the 1990's, which meant that many plans for investment were not carried out," he added.

#### **\* Government Gives 17 Planes to Merpati Airlines**

*95SE0054A Jakarta SUARA KARYA in Indonesian  
18 Nov 94 pp 1, 10*

[FBIS Translated Text] Jakarta (SUARA KARYA)—Merpati Nusantara Airlines has received aid amounting to \$51 million, or more than 102 billion rupiah, in government capital participation. Although not in cash but in the form of 17 Fokker F-28 Series MK-4000 aircraft, this capital participation will improve and strengthen Merpati's capital structure and will increase its ability to earn profits.

The government presented the 17 planes, which were previously owned by Garuda Indonesia, to Merpati as capital participation amounting to \$3 million per plane. These planes have had 17,000 to 22,500 flight hours. Specifically, Garuda has operated five planes since 1980, three since 1981, five since 1983, and the four others since 1984.

The delivery of the 17 Fokker F-28's was made Thursday [17 November] at Garuda Maintenance Facility Hangar 2 at Sukarno-Hatta Airport. Garuda Principal Director Wage Mulyono made the presentation to Minister of Communications Haryanto Dhanutirto, who then presented them to Merpati Principal Director Ridwan Fatarudin.

Wage Mulyono said that during the time Garuda Indonesia operated the Fokker F-28-type aircraft on domestic and regional routes, they clearly made a positive contribution to both government and company revenues. "We have had experience in many things while operating this type of aircraft, especially in the fulfillment of the company's mission," he said.

The planes actually have been in the Merpati Nusantara armada since the Garuda-Merpati integration in 1989, but on operational lease status. Merpati was required to pay rental of \$506 per plane per hour. The average usage rate of the planes was 5.5 hours per day, which means that Merpati paid Garuda an average rental of \$2,783, or 5,844,300 rupiah, per plane per day. For operation of the 17 planes, Merpati paid to Garuda rental charges of \$47,311 per day, or 99,353,100 rupiah per day at an exchange rate of 2,100 rupiah to the dollar.

With the delivery of the 17 planes, Merpati's capital increases by \$51 million, or more than 102 billion rupiah, and rentals of \$47,311, or 99,353,000 rupiah, per day return to Merpati. The rental funds can be used to finance depreciation of the 17 planes, which is scheduled over five years.



"The government's capital participation in the form of 17 Fokker F-28's strengthens Merpati's capital structure and thus enables Merpati to be more self-sufficient. This capital also keeps down the cost structure, adding to Merpati's ability to earn profits in the future," Ridwan Fatarudin said when interviewed by SUARA KARYA yesterday.

When asked whether this government capital participation will smooth the way for separation of Merpati and Garuda, Ridwan said only, "Possibly, because, as I said before, the most important thing for Merpati is to strengthen its capital structure if it wants to separate from Garuda. Without a strong capital structure, Merpati would have no meaning after separating from Garuda. From the management aspect, Merpati is already self-sufficient."

Minister of Communications Haryanto Dhanutirto emphasized on the same occasion that the surrender of the 17 planes does not interfere at all with Garuda operations, for Garuda will use bigger and newer aircraft to concentrate on international routes.

The surrender of the 17 planes is also intended as a support to domestic air travel and as an anticipation of increasing demand for air transportation facilities. "From the aspect of efficiency, we hope that these planes can be used in an optimal way while at the same time serving as government capital participation in Merpati Nusantara," the minister of communications said.

## Laos

### Mourning Ceremony Held for Souphanouvong

#### SRV, PRC Groups Attend

*BK1301022895 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 12 Jan 95*

[FBIS Translated Text] Today is the third day of the mourning ceremony for Comrade Souphanouvong, adviser of the Lao People's Revolutionary Party [LPRP] Central Committee, former LPRP Central Committee Political Bureau member, and former president of state, who passed away on 9 January from a heart disease.

The organizing committee in charge of the comrade's funeral had an opportunity to welcome delegations of many friendly countries, diplomats, representatives of international organizations in Laos, state and private enterprises, and associations of overseas residents in Vientiane who took turns laying wreaths to mourn the death of Comrade Souphanouvong. Among them was the high-level Vietnamese party-state delegation led by Vo Chi Cong, adviser of the Communist Party of Vietnam Central Committee, who is here to specifically attend the comrade's funeral.

On the same day, a Chinese People's Liberation Army [PLA] delegation headed by Comrade Major General

(Sien Jen-i), deputy director of the PLA Logistics Department, also laid a wreath to mourn the demise of Comrade Souphanouvong.

#### State Officials Lay Wreaths

*BK1201140695 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 11 Jan 95*

[FBIS Translated Text] Beginning at 0900 today, party and state leaders, as well as representatives of various ministries and departments or services at the central level and in Vientiane Municipality, took turns laying wreaths to mournfully pay homage to the body of Comrade Souphanouvong, adviser to the Lao People's Revolutionary Party [LPRP] Central Committee, former Political Bureau member of the LPRP Central Committee, and former president of the Lao People's Democratic Republic [LPDR], who passed away due to heart failure at the age of 86 on the night of 9 January. The wreath-laying ceremony was held at the Main Hall of the National Assembly in the capital of Vientiane.

The mourning ceremony began with the laying of the wreaths by the party Central Committee led by Comrade Khamtai Siphandon, chairman of the party Central Committee and prime minister, and Comrade Nouhak Phoumsavan, Political Bureau member of the party Central Committee and president of the LPDR, along with other comrade Political Bureau members of the party Central Committee and comrade members of the party Central Committee. Laying the wreaths afterwards were members of the National Assembly led by Comrade Khambou Sounisai and Comrade Vongphet Saikueuyachongtouna, members of the party Central Committee and vice chairmen of the National Assembly, and ministers in the ranks of the government led by Comrade Khamphoui Keoboulapha, Political Bureau member of the party Central Committee, deputy prime minister, and chairman of the Planning and Cooperation Committee. Leading persons representing various ministries, equivalent organizations, and mass organizations at the central level and in Vientiane Municipality then took turns in laying wreaths to pay homage to the remains of Comrade Souphanouvong to deplorably mourn his death. The ceremony proceeded amid an atmosphere of grievous sorrow over the demise of Comrade Souphanouvong, a senior leader of our party and state, who recorded great achievements and meritorious deeds for our nation and people.

Comrade Souphanouvong was a revolutionary leader who maintained a lofty spirit of sacrifice. He was a resolute, heroic, and talented leader who devoted all of his intelligence, abilities, and energy in the struggle for the independence, prosperity, and strength of the country and for the freedom and happiness of the multiethnic people. Comrade Souphanouvong was a revolutionary intellectual who practiced pure ethics and was profoundly loyal to the national interests. He was a sharp, prudent, and heedful leader who maintained extensive views of broad masses. To express gratitude



and grievous mourning for Comrade Souphanouvong, the party Central Committee, the National Assembly, the government, and the Lao Front for National Construction Central Committee have announced a five-day nationwide mourning.

## Philippines

### Authorities Continue Hunt for 'Terrorists'

*BK1301020895 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 12 Jan 95*

[FBIS Translated Text] Despite the safe arrival of the Pope John Paul II in the Philippines, the authorities are continuing the hunt for 20 more foreign terrorists who remain as threats to the life of the Pope. Here is a report:

[Begin Alex Tinsay recording] One of the suspects the authorities are hunting is an Arab electronics engineer; there are 19 others. According to reports, the original number of suspects was 23, although this was reduced to 20 after the arrest of three. The three arrested are identified as Said Ahmed, a Pakistani national; Nahid Hadad, a Moroccan national arrested last Friday; and another suspect who is currently being investigated.

Earlier, the U.S. State Department said that the three arrested suspects were planning to plant bombs on U.S. planes.

One of those hunted is Abdul Basit Nahmood alias Abdul Karim, who has a Filipino girlfriend identified as Carol Santiago. Nahmood or Karim is said to be a Libyan and Syrian trained terrorist.

Yesterday, a full joint force of 20,000 police and AFP [Armed Forces of the Philippines] members was deployed to provide security for Pope John Paul II's arrival. The security forces made individual cordon rings around the Pope when he did not get inside the pope mobile but instead went straight to the dancers and the crowd to greet them and give blessings. Despite the tight security and the efforts of the 2,500 traffic enforcers, they were not able to stop the people crowding around the papal motorcade, forcing to crawl on its way to the papal nunciature [end of recording].

### Envoy Denies Pakistani National Arrested

*BK1301023295 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 12 Jan 95*

[FBIS Translated Text] Pakistani Ambassador Qadir Afzal denies reports that a Pakistani national has been arrested. The said Pakistani national is identified as Hamed Said [as heard], suspected to be a member of a terrorist group aiming to kill the Pope. According to Afzal, the Pakistan Embassy has not received any confirmation about the report.

[Begin Afzal recording in progress, in English] ...matter. And I have now been assured that there is no Pakistani

arrested. And I have also been assured that there is no Pakistani who is under detention.

[Unidentified correspondent] But where did they get this...the name and...?

[Afzal] I have to [pause]...the best [pause]...I wanted to ask you. You have to help me. I am trying to establish the source of these preposterous rumors. [end recording]

Afzal refused to comment on reports that several Pakistani nationals were seen with the Abu Sayyaf group. Afzal said he is still waiting for more information regarding this report.

### Iran 'Strongly' Protests Deportation of Citizens

*BK1301042795 Quezon City Radio Filipinas in English 0230 GMT 13 Jan 95*

[FBIS Transcribed Text] Iran has strongly protested to the Philippines over the deportation of eight Iranians accused of being a potential threat to Pope John Paul II during his visit there [Philippines]. The eight were detained at Manila airport last Thursday [5 January] after arriving from Kuala Lumpur and deported on a Singapore-bound plane the next day.

Philippine Immigration Commissioner Ramon Liwag said that airport officials detained the group on suspicion that they were members of Muslim extremist groups. The Philippine charge d'affaires here [Iran], Wilfredo Cuyohan, was summoned to the Foreign Ministry late Wednesday and received the strong protest about the affair. A senior ministry official complained to hear about the false allegations against the eight and warned of the negative consequences of such acts on political and economic relations between the two countries.

Manila had drawn up a list of 109 people, mostly Muslim extremists, seen as a potential threat to the Pope during his four-day visit to the Philippines, which began [12 January] Thursday.

### MNLF Denies Reports of Cease-Fire Violations

*BK1301050195 Manila MANILA BULLETIN in English 11 Jan 95 p 9*

[Report by Nonoy E. Lacson]

[FBIS Transcribed Text] Zamboanga City—The Moro National Liberation Front (MNLF) has denied reports that it violated the cease-fire agreement it signed with the government last year.

Maj. Gen. Abdul Sharin, MNLF cease-fire committee chairman, said yesterday that the MNLF forces have never violated the truce.

Indonesian observers claimed that the MNLF have violated on several occasions the truce agreed up by the government and the rebels. The observers said the MNLF forces violated the agreement when they engaged government troops in clashes recently.



The Indonesian observers said the MNLF figured in a clash with government forces in Dinas and Olotanga island in Zamboanga del Sur and in Maguindanao province.

Sharin said that the chief of the ICO [Islamic Conference Organization] supervisory team, Brig. Gen. [Brigadier General] Asmardi Arbi, has denied issuing statements on alleged violation of the cease-fire agreement.

He said published reports on the violation only tend to discredit the MNLF.

"What has been published was only the side of the government troops which was submitted to Brig. Gen. Guillermo Ruiz, head of the government cease-fire panel," Sharin claimed.

Sharin asked for a review on the violation conducted by the observers on the violation to establish the true facts of the incident.

## Thailand

### Garment Exports Benefit From U.S. Rule Change

BK1301121195 Bangkok BUSINESS DAY in English  
13 Jan 95 p 1

[Report by Laksami Cheawetchasin]

[FBIS Transcribed Text] Thai garment manufacturers stand to benefit from a change in US rules concerning country of origin that will take effect on July 1. This will mean the US customs department classifies garment imports according to where the material was cut, and not where it was stitched. The change is part of the Multi Fibre Agreement under the assembly rule and relates to quotas.

The Thai Garment Manufacturers Association believes this will restrict the volumes of Chinese-made clothes entering the US market by making those where the patterns were cut in Hong Kong ineligible under Chinese quotas.

From July, garments cut in Hong Kong will be considered to have originated from there and must be counted under its much smaller quotas.

High labor costs in Hong Kong mean it is no longer economically viable to mass produce bottom-of-the-range garments. Its quota for the US market is already dominated by designer apparel.

Thai garment manufacturers stand to benefit, as they compete directly with the type, style, quality and price of garments stitched in China which will be affected by the rule change.

Association chairman Wirot Amattakunchai said: "Thai garment manufacturers can look forward to a good year because of the rule change. The US is a huge market and has altered its textile import rules to our advantage."

Hong Kong manufacturers are not the only ones in the region who will be adversely affected by China's decision. The fourth and fifth largest garment exporters, South Korea and Taiwan respectively, also send cut textiles for assembly in China.

Mr Wirot said Thailand still enjoys competitive labor costs which allow it to cut and sew domestically. He said this year Thai textile exports are expected to be worth 105,000 million baht, up 6.6 percent from last year.

Manufacturers are being advised to watch fashion trends in and adjust their production accordingly.

### Thaksin Assures Tourists About Country's Security

BK1301041495 Bangkok BANGKOK POST in English  
13 Jan 95 p 8

[FBIS Transcribed Text] Thai and foreign tourists in northern Thailand need not worry as the police already pay special attention to their safety, Foreign Minister Thaksin Chinnawat said yesterday. The minister said he had been given the assurance by Police Chief Pol Gen [Police General] Phot Bunyachinda during a telephone conversation yesterday.

"Thailand is very safe for tourists," Mr Thaksin said. He was commenting on a US Embassy warning for Americans to be careful about traveling in northern Thailand because there might be revenge attacks stemming from the arrest of 10 suspected drug traffickers wanted in the US. The suspects are linked to opium warlord Khun Sa.

An embassy guidance issued on Wednesday named as areas of greatest concern Mae Hong Son, northern Chiang Mai and Chiang Rai.

Deputy Foreign Minister Surin Phitsuwan said the guidance was an expression of concern on the part of the US but this did not mean that the situation was not safe. The police chief's assurance might lead to a withdrawal of the guidance he said.

The United States' warning for its citizens to beware of possible acts of revenge by drug king-pin Khun Sa while travelling in northern Thailand is unlikely to affect tourism, Office of the Narcotics Control Board [ONCB] secretary-general Chawalit Yotmani said yesterday.

Pol Gen Chawalit said the warning was made out of fear that Khun Sa may take revenge after Thailand arrested 10 of his men in November. The ONCB chief said he did not think there would be any untoward incidents because the region was well protected by the Third Army Region Border Patrol Police and other border security units.

"I don't think the warning will affect tourism. Tourists are still visiting the area as usual," he said.

Pol Gen Chawalit said a possible offensive by Rangoon troops against Khun Sa was Burma's internal affair and



the only thing Thailand will do is to prevent troops from entering the country illegally.

### **Shi'ite-PULO Link Seen in South Bombing Theory**

*BK1301050395 Bangkok BANGKOK POST in English 13 Jan 95 p 8*

[FBIS Transcribed Text] An army intelligence unit in the far south yesterday proposed a new theory for the cause of last week's bomb blast in Hat Yai, saying radical Shi'ite Muslims may have worked with PULO [Pattani United Liberation Organization] to create tension in the area, according to an intelligence source.

The source said army intelligence staff working in predominantly Muslim areas had analysed the possibility of an unprecedented link between the Pattani United Liberation Organisation, a separatist movement, and radical Shi'ites whose leader Sorayut Sakunasantisat is serving 31 years' jail at Bangkhwan detention centre for lese majeste and treason.

Ties between the two groups had been much strengthened through a new Shi'ite leader, Karmal, who was once reported to be close to Sorayut. "Shi'ites in the southernmost areas lacked a leader. Karmal has put himself in the vacuum and now plays a prominent role among radical Shi'ites there. He is also known to be a member of PULO," said the source, who claimed that Karmal, with Malaysian nationality, was once responsible for military training of PULO's new members.

Two Muslims, Brahim Li-wong and Sukri Lang-Chi, from Satun, were killed instantly when a bomb they were carrying on a sabotage mission in Hat Yai accidentally exploded on Tuesday last week.

Satun is known to be a base of Shi'ites who failed to spread their influence to Yala, Pattani and Narathiwat.

Special Branch Police chief Pol Lt-Gen [Police Lieutenant General] Wira Wisuthikun earlier concluded that PULO was responsible for the incident. But key Islamic leaders in the area, including Satun Provincial Islamic Committee chairman Bahri Mea-Laem, ruled out this theory. They did not rule out the possibility the incident might have been politically motivated.

The intelligence official said leaflets found in the area had called for the release of convicted Muslims allegedly unfairly detained.

The official said although the leaflets did not specifically give the names of the convicted Muslims whose release had been sought, they could be Sorayut and Hayi Dao Krongpinang, who was known to be a key PULO member.

### **Vietnam**

#### **Vo Van Kiet Receives German Auto Delegation**

*BK1201155095 Hanoi VNA in English 1353 GMT 12 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 12—Prime Minister Vo Van Kiet received here yesterday Mr

Edward Reuter, president of the Daimler Benz group of Germany who is now on a working visit to Vietnam.

The president of Daimler Benz group highly valued Vietnam's open-door policy and the results of the bilateral cooperation between Germany and Vietnam since Prime Minister Vo Van Kiet's official friendship visit to Germany in June 1993. He informed Prime Minister Kiet of his group's investment projects in Vietnam, mainly in the fields of modernization of aviation and railway services, assembly and manufacture specific-purpose cars, tourist cars, and planning the transport networks in Hanoi and Ho Chi Minh City.

He affirmed that the group not only actively participate in but also mobilise European businessmen to invest in Vietnam, thus contributing to the development of Vietnam on the basis of equality and mutual benefit.

For his part, Prime Minister Vo Van Kiet welcomed the group's investment projects in Vietnam, and said that Vietnam's goal is to step by step advance on the road of national industrialization and modernization. He wished the group to successfully develop its investment projects in Vietnam and become a reliable partner of Vietnamese businessmen.

#### **Nong Duc Manh Meets Cambodian, Australian Envoys**

*BK1201155495 Hanoi VNA in English 1415 GMT 12 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 12—National Assembly Chairman Nong Duc Manh received here today on separate occasions Mr Meas Sip, Cambodian ambassador and Mr [as received] Susan Jennifer Delyse Boyd, Australian ambassador to Vietnam.

While receiving the Cambodian ambassador Chairman Manh expressed his pleasure at Cambodia's fine changes in the recent time. He thanked the Cambodian people for their precious assistance to Vietnam in its national construction and defence, and noted the Vietnam and Cambodia are neighbours having long-term traditional friendship which, he said he hoped, would be constantly developed. The Vietnamese leader also expressed his wish that the Cambodian people would gain greater achievements in building Cambodia into a country of peace, independence, stability, neutrality and alignment with other countries in the region and the world. He asked the ambassador to convey his regards to Prince Samdech Norodom Sihanouk, Chairman of the National Assembly Chea Sim and other Cambodian leaders.

For his part, Mr Meas Sip expressed his hope that the friendship and cooperation between the two countries in general and the two legislatures in particular would be further consolidated and developed.

During the reception of Susan Jennifer Delyse Boyd, Mr. Manh held that the Vietnam-Australia friendship and cooperation have been strongly developed.



Chairman Manh exchanged views with the Australian ambassador on the organization and activities of the Vietnamese National Assembly, and said he hoped that the bilateral cooperation and exchange of experience between the two legislatures would contribute to further strengthening the friendship and mutual understanding between the two countries.

#### **Cambodian Premier To Discuss Border, Immigration**

*BK1201135195 Hanoi Voice of Vietnam in English  
1000 GMT 12 Jan 95*

[FBIS Transcribed Text] Cambodian First Premier Prince Ranariddh is to visit Vietnam for three days to discuss border and immigration issues and bilateral cooperation in transport and education. Prince Ranariddh will travel to Vietnam mid-January. The agenda focussed on agreements signed in 1994.

#### **Commentary Reviews Relations With Great Britain**

*BK1201153995 Hanoi Voice of Vietnam in English  
1000 GMT 12 Jan 95*

[Station commentary]

[FBIS Transcribed Text] British Chancellor of the Exchequer Kenneth Clarke wound up the Vietnam leg in his Asian trip on Thursday. He was leading a high-level financial delegation and ended his trip in Ho Chi Minh City. We now review relations between Great Britain and Vietnam.

The British chancellor of the exchequer was accompanied by representatives of many leading banking, insurance, and accounting businesses. Mr. Clarke was received by Prime Minister Vo Van Kiet and had working sessions with Financial Minister Ho Te, State Bank Governor Cao Sy Kiem, and Chairman of State Planning Committee Do Quoc Sam. The aim was to exchange experience with Vietnam in banking, accounting, and insurance and offer help to Vietnam in the establishment of financial market.

Britain is already helping Vietnam in the training of financial experts. British banks also helps Vietnam in establishing of a capital market in Vietnam. Since the renovation process started, Great Britain has developed its cooperation with Vietnam in many other fields such as basic development, infrastructure, and the oil and gas industry.

Following the visit to Great Britain by Vietnamese Prime Minister Vo Van Kiet last year, relations between the two countries have moved forth. The agreement on avoidance of double taxation and the agreement on air transport signed between the two countries last year are very important factors for favorable development of bilateral relation.

Great Britain plays an important role in the international arena. Vietnam and Great Britain share great potentials and a desire to develop bilateral cooperation. The ties between the two countries in the past years show much effectiveness and dynamism. The chancellor of the exchequer's visit this week further enhances this progress.

#### **Indonesian Legislators Hold Talks, End Visit**

*BK1201114395 Hanoi VNA in English 0635 GMT 12  
Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 12—National Assembly [NA] Chairman Nong Duc Manh received here yesterday afternoon an Indonesian National Assembly delegation led by Mr. Khairuddin Harahap, chairman of the National Assembly's Committee II on home affairs, land reform and administrative reform.

Mr Harahap and his party arrived here on Jan. 8 for a 5-day working visit.

Chairman Nong Duc Manh hailed the visit as demonstration of the development of the cooperation between the two countries and legislatures. He noted that Indonesia and Vietnam have fine traditional friendship and cooperation which are now developing in line with the latter's external policy to befriends every country over the world. He took this occasion to thank the Indonesian Government and people for their valuable support and assistance to Vietnam's struggle for national independence and construction in the past and at present.

For his part, Mr. Harahap expressed his hope that the bilateral cooperation and friendship between the two countries in general and the two legislatures in particular would be further developed, and that Vietnam would soon become full member of ASEAN.

During its stay here, the Indonesian delegation held talks with Mr Hoang Bich Son, head of the NA's External Relations Commission. It also had meetings with officials from other NA commissions as well as the State Committee for Cooperation and Investment, and the Interior Ministry.

The Indonesian guests left Hanoi this morning, concluding its five-day visit.

#### **Vo Van Kiet Attends National Police Conference**

*BK1201154495 Hanoi VNA in English 1336 GMT 12  
Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 12—The 50th national police conference was held from Jan. 9 to 11. It was honoured by the presence of Prime Minister Vo Van Kiet.

Reports and speeches delivered at the conference pointed out that despite of numerous shortcomings the police force made initial but important achievement last



year, vindicating the correctness of the viewpoints, orientation, contents and method of the renovation process.

The police force has successfully implemented its tasks to defend the country, the party, and the renovation process, contributing to maintaining the country's socialist direction, stabilising politics, initially foiling the hostile forces' manoeuvres of 'peaceful evolution' and checking in time subversive and sabotage activities by in-country reactionary forces in collusion with those from the outside. The police force brought to light many corruption cases, actively engaged in anti-smuggling and discovery of fake goods, and strengthened security, social order, traffic order and public sanitary conditions.

Addressing the conference Prime Minister Vo Van Kiet on behalf on the party and government commended the police force having made considerable contributions to the country's initial socio-economic achievements in its process of renewal.

With regard to the new tasks for 1995 when the country is still facing disadvantages, difficulties, and new opportunities but also new challenges, the prime minister urged the police force to better serve the country's national construction and defence, socio-economic development, and external relations expansion, thus contributing to national unity, foiling schemes and activities of the hostile forces during the peaceful evolution', safeguarding the country's political system, social life, national security and sovereignty.

#### **National Banking Conference Held 11-12 Jan**

*BK1301133395 Hanoi VNA in English 0652 GMT 13 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 13—A national banking conference was held here on Jan. 11 and 12 attracting leading officials from the State Bank, the state-owned and joint stock commercial banks nationwide.

Deputy Prime Minister Phan Van Khai attended the conference during which banking activities in 1994 were reviewed and tasks for 1995, worked out.

Five concrete measures to be taken this year in an effort to integrate Vietnam's banking industry into the world banking system include money supply, capital market improvement, interest rate readjustment and foreign-currency management, exchange rate control and other issues relating to banking operations and technology.

Speaking at the meeting, Deputy Prime Minister Khai described the combination of foreign capital with the mobilization of idle domestic capital as an effective way to spark economic growth, helping Vietnam compete with other regional countries.

He suggested banking officials enlarge and modernize their scales by upgrading the finance market and renovating their activities.

The government this year will allow the State Bank together with the Finance Ministry to make a trial sale of bonds and bills worth between USD 330-400 million in foreign countries.

Also in 1995, the banking sector will mobilize five billion US dollars, bringing the total capital to 15 billion for the 1991-95 period, an one and a half increase over original estimates.

#### **Charges Filed in 27 Nov 'Public Disturbance'**

*BK0101105795 Hanoi NHAN DAN in Vietnamese 7 Dec 94 p 4*

[FBIS Translated Text] TTXVN—The investigation police of the Thua Thien Hue Province Public Security Office on 6 December announced their decision to file charges in a criminal case involving "the instigation of a public disturbance"—as defined in Article 198 of the Criminal Code—at the inaugural ceremony for the Buddhist Elementary School held at the Bao Quoc Pagoda in Hue on 27 November 1994. The police have also summoned others directly implicated in this criminal case for investigation and stern punishment in accordance with the law.

#### **Circular Orders Government Spending Cuts**

*BK1301144895 Hanoi Voice of Vietnam in English 1000 GMT 13 Jan 95*

[FBIS Transcribed Text] Vietnam is to cut government expenditures, eliminate excessive bureaucracy, and discourage smuggling and bribery. The government's circular dated 4 January said this year there will be no budget expenditures in new offices, cars, and unnecessary interior decoration. Many large ministries are to return excess office space to the government. The government will also tighten control on land use, housing, import and export activities, and budget allocations for capital construction.

#### **People's Inspectorate Outlines 1995 Tasks**

*BK1201154095 Hanoi VNA in English 1345 GMT 12 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 12—The branch of People's Inspectorate held a meeting here from Jan. 9-11 to review its work in 1994 and discuss measures and plans to carry out its tasks in 1995. Prominent among those present at the meeting were National Assembly Vice Chairman Phung Van Tuu, and head of the National Assembly's Law Commission Ha Manh Tri.

In 1994, the branch exerted big efforts to raise the quality of its work, making a contribution to the timely detection and treatment of law-breakings, especially in the inspection of allocation and transfer of land-use right and capital construction. The inspectorates of all levels brought to court 28,265 cases accrued for violating social order, an increase of 9.2 over the previous year.



This year, the branch will concentrate on its efforts to serve economic development, economy practice, fight against wastefulness, corruption, smuggling, thus guaranteeing the social order, and the practice of law and democracy.

Speaking at the meeting, Vice Chairman Phung Van Tuu encouraged all inspectors to train themselves to uphold the ethic tradition in performing their duties.

## TAP CHI CONG SAN

### \* TAP CHI CONG SAN for October 1994

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#### Hanoi in the Renovation Movement

953E0006B Hanoi TAP CHI CONG SAN in Vietnamese Oct 94 pp 3-7, 11

[Article by Pham The Duyet, secretary of the Hanoi Municipal CPV Committee]

[FBIS Translated Text] 1954-1994: Forty years is a very short period in the long history of the nation in general and of Hanoi in particular. But for Hanoi, the past 40 years have been a glorious period. Looking back, it can be seen that those 40 years witnessed the liberation of a capital from foreign domination and the affirmation of a capital of an independent and sovereign country that is moving toward socialism and building a just and civilized society.

The history of Hanoi is closely tied to the history of the Vietnamese nation. From when Hanoi was a wretched place of workers and laboring people, the first communist party chapter came into being. Later on, the new-style party of Lenin and Nguyen Ai Quoc was established. It formulated and headed a vigorous revolutionary movement of the people in harmony with the Indochina and Vietminh movements prior to the uprising and this led to the victorious August Revolution



and to 2 September 1945—the establishment of the Democratic Republic of Vietnam. After a thousand years of civilization, Hanoi became the capital and political center of the entire country. In “60 days of smoke and fire” to forge an iron Capital Regiment and a spirit of “volunteering to die so the fatherland can live,” Hanoi launched a national, all-people, and all-around resistance to defend and exploit the achievements of the August Revolution. After waging resistance for nine years, with the world-famous victory at Dien Bien Phu, the north was liberated and Hanoi was freed from colonialism and became the center of the country—the center of the new social system. During the more than 20 years of resisting America for national salvation, the party organization and people of Hanoi always maintained their spirit of patriotism, manifested the revolutionary traditions, and were prepared to accept any difficulty in order to concentrate on aiding the south. On the other hand, Hanoi quickly healed the wounds of war, made an effort to restore and develop the economy and culture, and continued to build the material and technical base of socialism. That was a very exciting time for the capital with the “three readies,” “three responsibilities,” and “three resolves” emulation movements, which were carried on vigorously in almost every agency, factory, enterprise, school, and street. “All for the front lines and all for victory.” That slogan encouraged the youths of Hanoi to follow in the footsteps of their fathers and enthusiastically set out to contribute to liberating the south. The soldiers and people of Hanoi performed a “Dien Bien Phu” military exploit and smashed the strategic counter-attack by the American imperialists. On 30 April 1975, the sacred general offensive by our people completely liberated the south and reunified the country. In its thousand-year history, never before had Hanoi been so excited as it was during those days. Everyone in Hanoi poured into the streets singing the song “As if President Ho were here during the great victory celebration.” The general election to the Sixth National Assembly on 25 April 1976 completed the reunification of the country as far as the state was concerned. Hanoi became the capital of the Socialist Republic of Vietnam. Hanoi and the entire country entered a period of overcoming the effects of the war and restoring and developing the economy. In March 1982, the Fifth Party Congress put forth the strategic guidelines for the 1981-1995 five-year plan and the 1980s. On 21 January 1983, the Politburo issued Resolution 08 on the work of the capital. This affirmed that “Hanoi is the leading political, cultural, and scientific and technical center, a major economic center, and an international trade center of the country.” That was a guideline for the development of the capital both in the present stage and in the future.

In December 1986, the sixth party congress affirmed the need to carry on a renovation movement and to continue implementing the lines of the socialist revolution. The congress expressed its determination to renovate the economic management mechanism, eliminate the

bureaucratic centralism and state subsidies mechanism and switch to building a new mechanism in accord with objective laws and the level of development of the production forces, and create a motive force to develop all of society.

During the initial days of renovation, it was not easy for the people of the capital, or for anyone else in the country, to forget the difficulties and hardships. We had to search for food each day to feed the millions of people living in the capital. The cadres, workers, and civil servants had to depend on their small wages, which weren't always paid on time. At the same time, prices increased by the hour, and inflation skyrocketed. The incomes of the peasants in the outlying areas were very small and inadequate to live on. The number of poor households reached 15-17 percent. The bureaucratic centralism and state subsidies mechanism held back production and paralyzed the economy. The streets and shops were empty, and there was a shortage of commodities. Many factories and enterprises were on the verge of going bankrupt because of a lack of raw materials, materials, and electricity for production. And there were no markets for their products because of the collapse of socialism in Eastern Europe and the Soviet Union. There was a lack of jobs for workers. There were hundreds of thousands of surplus workers because of their dependence on production at state-operated and collective enterprises.

As for Hanoi's infrastructure during those years, such as housing, water and electricity, and roads, it was as if almost nothing could be repaired or built. The urban and suburban communications system was in serious disrepair, and the lighting system was old. The domestic and international information and liaison system was very backward and separated. The system of railroad stations, docks, and airports was very rudimentary and simple. Very few foreigners came to Hanoi to work.

During that period, Hanoi had few high-level visitors. The system of guest houses, hotels, and inns could satisfy only minimum needs. The shops and stores at that time were mainly “state stores.” Little was done to repair or improve public projects such as schools, hospitals, parks, gardens, Tay and Hoan Kiem lakes, and so on. Many projects deteriorated greatly.

Only after several years of carrying on renovation were the people of the capital, along with the people of the entire country, able to score notable achievements, with the result that the people became more enthusiastic about the renovation line of the party.

The initial success of the capital during the past several years has been its determination to apply the lines and policies of the party and state to the specific situation of the locality in a dynamic and creative way. This is a process of thoroughly renovating understanding, from shifting from a bureaucratic centralism and state subsidies management mechanism to a market mechanism,



developing a multi-faceted commodity economy managed by the state, exploiting the drive, capabilities, and creativity of each production and commercial unit and of each household and from viewing a market economy as being synonymous with capitalism to regarding a market economy as being a common product of development of mankind. We are striving to pluralize our relations with the motto "Vietnam wants to be friends with all countries." We have changed our "separatist" viewpoint on the role of the "party leads, the state manages, and the people are the owners" and developed a new viewpoint on manifesting the leadership role of the party in the economic, cultural, and social spheres. At the same time, we have exploited, within the framework of the law, the drive of the administrative echelons and management organizations and the capital and capabilities of the people so they can make a living. Because of this, we have mobilized the strength of all the people, of the leadership echelons, of the center and localities, and of people both here and abroad to generate new energy for the development of the capital.

Based on the special characteristics and specific situation of the locality, together with the development requirements of society, Hanoi has gradually shifted the economic structure from "industry-agriculture-commerce-services" to "industry; commerce-tourism, services; agriculture." Based on this policy, Hanoi has reorganized commercial production, solidified the state economy, mobilized capital from many sources, developed the suburban economy and built a new rural area, taken steps to stimulate and enable the economic elements to expand, expanded the foreign economy, and renovated the management mechanism. The results of implementing the above policies are manifested in the following:

For several years prior to this, industrial production was very difficult and out of control. Almost 70 percent of the production enterprises were stagnating. Now, because they have been provided with new machinery, they are able to produce many new types of high-quality goods such as transformers, electric motors, Thong Nhat electric fans, Halida beer, Hai Ha cakes and candy, 10 October gauze mosquito nets, Rang Dong vacuum bottles, Thuong Dinh and Thuy Khue rubber-and-cloth shoes, and so on. Many markets both here and abroad have been found for these goods. Central and local state-operated industries and cooperative, private, and household industries have expanded greatly. During the 1980s, industrial production remained stagnant or declined. But during the period 1991-1993, local industry increased an average of 15.6 percent a year, accounting for 31 percent of the city's Gross Domestic Product (GDP). During the first 6 months of 1994, industrial production rose even higher as compared with the first 6 months of 1993. It is predicted that the value of industrial production in the territory will increase 22.9 percent, fulfilling 47.4 percent of the annual plan. Also, it is thought that local industry will increase 33.7 percent, fulfilling 50.5 percent of the annual plan, that

state industry will increase 28.1 percent, fulfilling 50.6 percent of the annual plan, and that non-state industry will increase 43.5 percent, fulfilling 50.5 percent of the annual plan. As for central industry, 11 of the 15 sectors have witnessed an increase as compared with the same period last year. In local industry, 14 of the 17 sectors have increased. Many enterprises that carry on production based on order invoices and pre-signed contracts have shown their ability to respond to the markets. Their goods are trusted on the markets, their plans are in line with production and commodity supply and demand, and raw materials are balanced in a timely manner. Industry has maintained a relatively good rate of expansion. This is because a number of enterprises received budget support and bank loans for intensive investment in 1992 and 1993, and they have continued to expand. The commercial management cadres are familiar with the market mechanism and dynamic in production and commerce.

Commerce and services have increased rapidly, accounting for 63 percent of the city's GDP. Markets in Hanoi have expanded rapidly, and there is an abundance of commodities of various types, satisfying not only the need for essential commodities but also the demand for high-level commodities. Foodstuffs and other commodities have changed very little. Hanoi has become a developed trading center with 75,000 sales points. State retail enterprises still account for 32 percent of total retail sales on the markets. Gross retail sales increased an average of 25 percent a year during the period 1991-1993. The state continues to control essential types of goods such as agricultural materials, gasoline and oil, building materials, and grain reserves.

Hanoi's hotel and tourist activities have expanded rapidly. We have an additional 200 hotels and guest houses of various types with more than 3,000 rooms that provide adequate facilities to welcome foreign and domestic guests. The number of visitors now coming to Hanoi has tripled as compared with previous years. A number of high-level hotels are now under construction. This includes the Dai Ha, Metropon, Cat Linh, Yen Phu, Golden Hanoi, K5, and Nghi Tam hotels.

The information system and the posts and telegraph system have been modernized. The airports, railroad stations, docks, and roads have been repaired and upgraded.

Financial and banking activities have been improved, and the lack of liquidity has been ended. The financial, tax, currency credit, and price tools have been renovated, and a more favorable environment for the expansion of the economic elements has been created.

Even though rural agriculture accounts for only 6 percent of the city's GDP, it has undergone major changes with respect to the allocation of varieties, crops, animal husbandry, occupations, and services. New industries are expanding. Agriculture is expanding in line with the



trend toward a commodity economy. Today, rural agriculture is not only supplying grain, vegetables, and fruits to the urban areas but also planting various varieties of delicious rice and high-level vegetables and fruits and rearing fish, birds, and milk cows. The value [of production] has increased tens of times as compared with previous years. Besides this, money has been invested in growing seasonal flowers and ornamental plants for specific holidays and festivals, and this has expanded tens of times as compared with before. Thus, while the gross value of products planted in 1990 was only 14.9 million dong per hectare, in 1993 this increased to 21.3 million dong per hectare. The number of peasant households lacking sufficient food during the preharvest period has declined from more than 10 percent in previous years to only 5.5 percent today. Twenty-nine villages have done a good job in building communications routes, schools, and clinics and met the new rural area standards put forth by the city.

In recent years, the capital's foreign economy has expanded very rapidly. From not having any relations with other countries (except the former socialist countries), in just three years people from 22 countries have formulated 143 plans to invest in the city, with the total capital reaching \$1,680 million. More than \$630 million has already been invested, of which 36.7 percent has been invested in production. These investment bases have opened up prospects for developing new industries in the capital with such high-level industrial products as "image" lamps, television sets, and other types of electronic goods at Sai Dong and the Soc Son export processing zone and for expanding industry and providing jobs for the laborers of the capital in the coming years.

It can be said that renovation has changed the face of the capital. Hanoi is becoming more and more magnificent, civilized, and beautiful, and economic, cultural, and social life will gradually improve. Hanoi has delineated things, and the government has given its approval. The ring roads are being expanded, and radial roads are being opened. The Thang Long-Noi Bai road and the expanded city gates give us the feeling of a "roomier" city. Sixty-four percent of the urban roads have been paved with asphalt. Each year, using mainly funds obtained from the people, the city has built almost 20,000 cubic meters of housing, an increase of 4.5 times as compared with previous years. In the Nghi Tam, Quang Ba, and Nghia Do zones, many modern and beautiful high-rise buildings will be built. Hanoi will take on a new color, blending the colors of ancient, old, and modern streets. Besides this, the government and city have made plans to expand and improve the airports and bus depots. Cultural projects such as Co Loa City, the Soc palace, the Confucian Temple, and ancient pagodas in the capital are being repaired and maintained. Almost all of the urban schools and half of the suburban schools are multi-level buildings. Many of the central and local hospitals have been repaired and provided with more modern equipment. Thanks to having correct plans and

development guidelines, in the future Hanoi will be one of the most beautiful capitals in Southeast Asia and the world.

Along with developing the economy and building the city, Hanoi is also giving attention to building a civilized way of life and overcoming social evils. It is constantly concerned about hitting the target of "for people." After declining for many years, education, public health, and culture are now making very exciting progress. Hanoi is now moving toward universal level-II education for the entire city, and the quality of instruction is improving daily. The movements to study vocations, computer science, foreign language, and so on have become a widespread need among youths. Attention has been given to the movement to "repay obligations" and the movement to look after the policy families, and practical results have been achieved. Having families and individuals engage in charitable activities is becoming a positive social movement and is one of the themes of the "good people, good work" movement, which is adding to the wonderful life of the people of the capital.

The Municipal CPV Committee has closely guided the organization and implementation of the eight important projects to implement the resolutions of the 7th and 11th party congresses and the city's midterm conference of delegates. The target is to accelerate the capital's economic and social development. The Municipal CPV Committee is giving attention to building the city's ranks of key cadres, ensuring solidarity and unity, and manifesting the leadership of the party and the management role of the municipal authorities more and more. The mass organizations are operating on a rather broad scale and persuading workers, peasants, and intellectuals to struggle to carry out the party's renovation movement. The confidence of the people of the capital in the renovation movement and in the leadership of the party is being solidified and is growing stronger.

However, it must be recognized that the "forward movement" of the capital during the renovation years has been slow. The economy has not expanded steadily, and the intellectual potential, capital, and skilled labor strength of the capital have not been exploited or used effectively. Many of the economic policies have been applied slowly. The ranks of cadres in many wards, districts, and sectors are insecure, and they have not been synchronized. The industrial economy has not been renovated quickly with respect to providing technology and finding markets, and it has not provided good support for agriculture in the capital and the provinces in the Red River Delta.

Although the foreign economy has expanded, in the industrial sphere it is still low. The industrial structure accounts for 31 percent, but that is too low and does not manifest the economic structure put forth by the city.

In building the city's infrastructure, such as housing, communications routes, electricity, water, and fire prevention and control, there are still many deficiencies.



The environment is still polluted, and communications become clogged at the peak hours. Construction has exposed many weaknesses concerning city and architectural management and technical control. The concept of obeying the laws is still weak, and there is a lack of understanding concerning a modern civilized capital like those in other countries in the world. Thus, the capital's two key tasks of "developing the economy and managing and building the city" have not satisfied the requirements put forth.

Party building, which is a key task, still has many problems. Bureaucratism, corruption, and a lack of a spirit of responsibility on the part of some cadres are still major problems. There are few cadres who are politically strong and highly skilled in their fields and who have the trust of the people. The role of the party committee echelons is still limited. The activity movements of the mass organizations and social organizations are sluggish, and the operating methods and contents are confused and impractical. Many of the problems that have arisen in renovation have not been reviewed promptly in order to implement appropriate guidelines. Hanoi lacks a good relationship with the central echelon and with the sectors, provinces, and cities in the country capable of creating a synchronized force and reinforcing each other to build a capital worthy of being the cultural, economic, and political center of the country.

In order to overcome the above weaknesses and shortcomings and continue to accelerate the all-round renovation of the capital so that it is worthy of its position as the center of the entire country, from now until the year 2000, Hanoi must concentrate on carrying out the following tasks:

It must accelerate industrial expansion. In particular, emphasis must be placed on the electronics, machine, and processing industries. It must strive to increase the industrial economy to 40-50 percent in the city's GDP. The existing industries must be equipped with modern equipment, and they must have adequate strength to compete on both domestic and foreign markets. Expanding industry also means that commerce, services, and agriculture must be expanded so that GDP increases 12-13 percent a year during 1994-1995 and so that per capita income increases to \$1,000 by the year 2000 (per capita income in 1993 was \$565). The multi-faceted economy must develop in accord with the laws.

The city must continue to develop commerce, travel services, information, banking, financial activities, and so on. It must strive to have at least 10-15 four or five star hotels and a number of ultramodern hotels in the city in order to attract millions of tourists by the year 2000. The foreign economy and imports and exports must expand quickly and in the right direction and contribute to the development of the economic elements.

Attention must be given to expanding the capital's agriculture and enabling agriculture and the suburban areas to make clear advances concerning rural industry

and the material and spiritual lives of the people. An effort must be made to reduce the number of poor people to an insignificant number, to quickly increase the number of prosperous and wealthy households, and to enable the great majority of the 140 villages and towns to meet the new rural standards of the city. By the year 2000, the average value of the products must reach 25-27 million dong per hectare per year. An effort must be made to ensure that in the near future, the new rural areas of the city will have the strength to attract people from the urban areas to visit there and spend their weekends there.

As for city projects, attention must be concentrated on solving the communications, housing, and environmental problems, repairing and improving the old and ancient streets, and building new and modern wards. Drawing up detailed plans for urban zones and towns must be accelerated. First of all, attention must be concentrated on completing the projects in the export processing zones, high-tech industrial zones, and zones where surfaces need to be freed in order to build projects. The areas that are being rapidly urbanized along the edges of the capital must be redelineated, and studies must be done on establishing new wards along the edges of the capital in line with the present strong trend toward urbanization.

Scenic places such as Hoan Kiem and Thien Quang lakes and Lenin Park must be maintained, repaired, and improved. The Tay Lake tourist zone and new commercial and service zones must be delineated and built up in conjunction with the projects of neighboring provinces and cities.

The capital's ancient historical relics must be restored and integrated with the development of a modern city. It must be ensured that Hanoi is supplied enough electricity and clean water for the people and that there is no communications gridlock. Pollution of the environment and flooding in the city must be done away with, and order, security, and safety must be maintained in the city.

In order to implement the above guidelines successfully, the party organization and people of Hanoi must understand and carry out the two central tasks, which are to develop the economy and build and manage the city. At the same time, they must adhere to party building as the key element.

In the immediate future, Hanoi has many urgent tasks that must be carried out, and it must make preparations for future development. Along with the advantages and the advances made in the past several years, Hanoi still has many difficulties that must soon be overcome. Under the leadership of the CPV Central Committee and the government, with a spirit of enthusiasm and confidence in the country's future, and with the will power to continue all-round renovation, the working class, peasants, intellectuals, artists, retired cadres, servicemen, and all strata of people of the city are manifesting our



wonderful revolutionary traditions, strengthening solidarity, maintaining political stability, developing the economy and society, improving living conditions, and building a stronger and stronger municipal party organization and administration. And they are determined to improve the quality of the city's renovation movement.

The party organization and people of Hanoi took the lead in the August Revolution and showed heroism and resolve in the resistance to save the country. Today, they are striving to take the lead in industrialization and modernization, score many achievements in renovation, and be worthy of the confidence and live up to the expectations of the people of the entire country.

### **To Create a Strong Motive Force for Industrialization and Modernization**

953E0005A Hanoi TAP CHI CONG SAN in  
Vietnamese Oct 94 pp 15-18

[Article by Nguyen Co Thach]

[FBIS Translated Text] 1. The goal of industrialization and modernization in our country is to greatly expand the production forces and have a prosperous people, strong country, and just and civilized society. The resolution of the Seventh Plenum of the CPV Central Committee (Seventh Term) emphasized that industrialization and modernization is a process of making basic and all-around changes in production, commercial and service activities, economic and social management, and so on with the aim of having high social labor productivity, low production costs, and high product quality. Thus, industrialization is a very deep and broad revolution that is aimed at changing all of social life. In order to win a great victory in this revolution, we must somehow create strong motive forces for industrialization.

The renovation movement of the past several years has brought our country's economy down from the peak of the crisis and freed the production forces somewhat. Our country's economy is growing at a relatively rapid pace, but it must be admitted that quality is still low, labor productivity is low, there is much waste, production costs are high, economic results are poor, and corruption is still a serious problem. This situation can be overcome only by using macrocosmic and integrated measures. If the macrocosmic economic management mechanism is allowed to continue as at present, it will be difficult to accelerate industrialization and modernization and expand the production forces as desired.

2. In the history of mankind, after the period of primitive communism, man had to resolve the basic conflict between the scarcity of goods and raw materials and the boundless needs of people. This conflict will end only when production in society has expanded to the point where the needs of man can be satisfied, that is, when man has entered the period of scientific communism. The struggle to resolve this conflict is a great motive

force for expanding the production forces. At the same time, this will also resolve the conflict between supply and demand, which affects each person, each society, each nation, and the entire world. Each person who wants to fully satisfy his needs must work to supply products with a corresponding value to society. Each person is both a buyer and a seller. Thus, there must be a balance between individual supply and demand, and the ever-growing conflict between supply and demand must be resolved in the best way possible. At the same time, each person must exchange products with others based on the principle of equal price exchange through markets. Today, the world is gradually forming a unified market. This market operates in a natural and effective manner. Thus, balancing supply and demand for each person and for all of society is a motive force for macrocosmic and microcosmic balance for all economies. This will bring about stability and order in economic life in the world after many thousands of years.

A market mechanism has the ability to adjust supply and demand and create a favorable environment for a direct struggle between supply and demand in each person and in all of society. A market mechanism establishes a direct horizontal relationship between supply and demand and between the economic activities of society, such as between production and consumption and between scientific research and production. Conversely, a bureaucratic centralism and state subsidies mechanism separates supply from demand and eliminates the horizontal and direct relationship between supply and demand and between the economic activities of society. A bureaucratic centralism mechanism establishes management relations, based on the vertical system of the state, directly with both supply and demand and with the other economic sectors. This makes it impossible for the struggle between supply and demand to be carried out in a natural and direct manner in each person and in all of society. The state replaces the people in order to deal with the conflict between supply and demand among individuals and in all of society. Each person and all of society must wait for the state, and they do not have any responsibility regarding either supply or demand. Because of this, the great motive force in resolving the conflict between supply and demand is lost.

A market mechanism forces each person who wants to satisfy his ever increasing needs to work to supply the markets with increasingly higher-quality products. Those who produce a lot and do a good job will earn a lot. Those who do little will get little. Each person has an interest in creating a balance between supply and demand. Any individual or society that violates this principle will be harshly punished. They may suffer economic losses, they may be eliminated, or they may be thrown into a serious crisis. Conversely, a bureaucratic centralism and state subsidies mechanism distributes products equally to everyone, including those who do a good job as well as to those who do a poor job. In Vietnam, the bureaucratic centralism and state subsidies mechanism, which was expanded nationwide after 1975,



contributed to extending the economic crisis into the 1980s. Our renovation policies, particularly price renovation, have enabled our country to climb out of the depths of the crisis.

In a market mechanism, each person acts independently in satisfying his own needs and tastes and in supplying products for society based on his capabilities. Each person must have many plans to deal with his own economic problems in a flexible and dynamic manner and change his plans each time the market changes. A market mechanism creates favorable conditions for each person in society to deal with the economic problems that arise every day and every hour in accord with the interests and obligations of each person. No matter how big or gifted the state apparatus is, it cannot deal daily and hourly with all the economic problems of each person. The bureaucratic centralism economic mechanism has left us with a very cumbersome and ineffective state apparatus and a very bureaucratic system. Because of this, the economic problems have not been determined by the people or in accord with the interests of each person.

3. Competition is a very important characteristic of a market economy. A market mechanism creates favorable conditions for fair and legal competition between the individuals and economic elements in society and between countries. Markets treat everyone the same, and there are no preferential policies for a number of people, a number of elements, a number of sectors, or a number of areas. In fair competition, each person must do his utmost to enable production to achieve maximum results and the highest labor productivity possible with the highest quality. Production expenses and costs must be as low as possible. Wholesome competition will justly reward those who do a good job and punish those who do a poor job. Wholesome competition is a form of emulation throughout society. Those who want to have a high income must be victorious in competition. Those who are not successful in competition will have low incomes or be eliminated. Fair competition is a great motive force for expanding production.

The bureaucratic centralism and state subsidies mechanism usually has preferential policies or treats a number of people, elements, sectors, and areas differently. This leads to inequality in economic competition. Those who have been given preferential treatment do not need to strive to do the best job possible, because regardless of whether they do a good job or a bad job and regardless of whether they make a profit or suffer losses, they will still be given subsidies and given preference. Even if they do a bad job, they will strive to maintain the system of preferences, and the state won't dare abandon them. As for those who have been treated differently, regardless of how great an effort they make, they will still suffer losses. Creating an environment of fair and honest competition will encourage tens of millions of people to work hard. This is a great motive force that will enable our country's entire economy to grow and achieve high results. In

order to create an environment of fair and effective competition, we must abolish those policies that give preferential treatment to a number of targets and that treat different targets differently.

In economic activities, if policies that give preferential treatment are used, that will create the conditions for the growth of bureaucratism and corruption. Preferential policies create many procedures and give procedural powers to many administrative echelons. To control things, the state apparatus must organize many departments and greatly increase the staff. Because of this, the state apparatus becomes very cumbersome. At one time, to obtain permission to carry on a business, permission had to be obtained from dozens of echelons and organizations. If a farmer wanted to switch from growing rice to growing an industrial crop, he had to obtain permission from many people. To take a loan from a bank, it was necessary to obtain up to eight signatures. Clearly, to obtain preferential treatment and special privileges, people had to seek positions, ingratiate themselves with others, and pay bribes. Ending the system of preferential treatment and different treatment in production and business and building a legal framework for fair competition are the best measures for opposing bureaucratism and corruption. Only in this way will it be possible to streamline the state apparatus. If we continue to oppose bureaucratism and corruption using the present method, we will eliminate individual phenomenon without eliminating the causes.

4. The price mechanism and the principle of equal price exchange are decisive factors of the market mechanism. The market mechanism respects market prices. Conversely, the bureaucratic centralism and state subsidies mechanism uses administrative orders to control prices and usually sets prices lower than market prices. Our experience during the 1980s was that controlling prices and setting low prices caused turmoil in supply and demand, kept the production forces from expanding, and led to a scarcity of commodities and serious inflation. In 1989, we freed prices on most products and allowed the exchange rate to float. That was a very important step that brought our country down from the height of the crisis. We must continue to improve the price mechanism and the exchange rate under the control of the state.

5. After 40 years of the Cold War and arms race, a worldwide economic race is beginning, particularly between five centers in the world. The third industrial revolution is bringing major and rapid changes. This industrial revolution will lead to qualitative changes in the world economy. The strength of the world market is that it has every type of product. Because of this, world commerce is beneficial for all countries. World commerce is growing and expanding and gradually reducing and eliminating tariff barriers. The world is becoming a single market. All countries, both large and small, are forming close relationships with each other, and they are interdependent. No country can close its doors and be



self-sufficient. Our open-door policy and our policy of promoting exports are in accord with the general trend of the world economy. Becoming a part of the world economy and selecting the optimum division of labor in the world economy are the motive forces to stimulate the growth of our economy. Foreign commerce is a decisive factor for the growth of all countries. (This is particularly true for the growth of small countries such as Belgium, Singapore, and Switzerland. The foreign commerce of these countries exceeds their gross social product.) The broad markets of the world will help us expand markets for the economy and expand the scale of production in sectors in which we enjoy an advantage. The international division of labor is a factor that can increase labor productivity. In order to have an optimum international division of labor, we must emphasize studying economics and world markets. To gain this advantage, competition within our economy must be promoted. This is a condition for promoting exports and for opening our doors. Without a market economy with the strength to compete, opening the door will be suicidal in the face of the flood of foreign commodities.

6. A market mechanism creates a great motive force for economic growth. But a market mechanism also has many weaknesses: This can create large gaps between rich and poor, it can create crises, unemployment, and inflation, and it can lead to capitalism. In order to exploit the positive aspects and limit and overcome its weaknesses, we must establish a synchronized, socialist-oriented market mechanism under the control of the state. The state must strengthen its managerial and regulatory role in the important spheres of the national economy. Today, there are many important problems that require the decisive role of the state, but the state is not playing a role or is not doing enough. Conversely, there are problems that are the responsibility of the markets, but the state is interfering and taking action in place of the markets. The main responsibility of the state is to control things, stimulate the economy to operate effectively, ensure that there is social justice, protect the ecological environment, and create the macrocosmic conditions for the economy to grow and stabilize.

The state must ensure independence, peace, and safety for the nation and create a favorable international environment for building and expanding the economy. The state must have an adequate legal system to create a legal framework for the economic elements. The laws must protect those who make their living honestly and oppose fraud and monopolization. We are gradually doing this, but in general, things are not being done fast enough. The state must concentrate on building a perfect infrastructure for economic growth. This includes land, water, and air communications, energy, signal and liaison, and telecommunications. The state must have policies on investing in basic scientific research and have an educational system to train people, which is the most decisive factor for production. The state must improve its tax and social welfare policies with the aim of redistributing the national income and ensuring social fairness in accord

with the level of economic growth. The state must use monetary and financial tools to maintain the macrocosmic stability of the national economy. It must play a role when the economy expands, becomes sluggish, or declines, and it must have active measures to oppose unemployment, create jobs for laborers, fight inflation, and maintain price stability. However, the state must not interfere directly in market activities. Instead, it must use its financial and monetary powers carefully and wisely in order to regulate things. Financially, this refers to the power to collect taxes and to spend based on the budget. Monetarily, this refers to the power to determine money supply on the markets and the power to affect investment capital through bank interest rates for loans and savings accounts. The state must exert an effect on the supply-demand relationship of the entire national economy using its financial and monetary tools and help the markets regulate themselves. Because of this, the banking and financial sectors must be solidified and strengthened so that they can help the state control the economy at the macrocosmic level. If the state carries out these functions and tasks well, an important problem in renovation will have been solved. However, this is a very difficult task, mainly because of the old viewpoints, because of the practices of the bureaucratic centralism and state subsidies mechanism, and because the interests of a number of people are closely tied to the old mechanism.

In recent years, our country's renovation movement has brought welcome results. The renovation steps taken recently have not caused any turmoil concerning prices or exchange rates. Economic and social confusion has been ended thanks to the effective management of the state. We have quickly stopped triple-digit inflation, stabilized market prices, put an end to commodity shortages and tight money, put an end to budget deficits, and eliminated speculation, hoarding, and smuggling to a certain extent. We have streamlined part of the cumbersome state apparatus. Besides this, doing away with having the state set prices has freed the production forces and enabled them to expand rapidly. Doing away with having the state set prices has eliminated the basic reason responsible for economic and social sluggishness. The experiences in renovating prices are valuable lessons that we can use in taking the next steps in renovation.

Industrialization is a very profound revolution that affects all of social life. In order to win a great victory in this revolution, we must obey economic laws. We must resolutely abolish the bureaucratic centralism and state subsidies mechanism, build a synchronized and socialist-oriented market mechanism under the control of the state, and elevate the ownership rights of the people, particularly in economic life, based on the principle "by the people and for the people." Doing these things will create a strong motive force for industrialization and modernization in our country.



**The National Defense Industry in  
Industrialization and Modernization**

953E0005B Hanoi TAP CHI CONG SAN in  
Vietnamese Oct 94 pp 23-26

[Article by Nguyen Minh Khai, Institute of Politics and  
Military Affairs]

[FBIS Translated Text] Industrialization and modernization are a necessity in building socialism in our country. In order to carry out these tasks successfully, many measures are needed to exploit our national advantages, make a breakthrough, and overcome poverty. We would like to discuss national defense, which is a national strength and a part of the national economy. Steps must be taken to turn this into an economic subject that participates effectively in the industrialization and modernization of the country.

In the past, the national defense industry was viewed as a useless production sector and as a heavy burden on the national economy. It limited our ability to accumulate capital for building the economy and improving the lives of the people. Today, the national defense industry is a production sector that is not only satisfying the country's defense needs but also ensuring stability for economic growth. In specific historical conditions and with a suitable control mechanism, the defense industry can shift from being a useless production sector to being a useful sector and from being a burden on the economy to being a force that makes notable contributions to promoting growth. On the other hand, with its great scientific and technical needs, with its large number of scientific and technical cadres and skilled workers, and with its great material potential, the defense industry will be the place where scientific and technical breakthroughs occur, particularly when the strategy of coordinating the economy with national defense is implemented effectively.

In recent years, the defense industry has undergone changes and achieved initial results. Since 1990, the yearly rate of growth of the elements engaged in economic activities has been approximately 40 percent. In 1993, gross business revenues were 1,980 billion dong, of which 120 billion dong were contributed to the budget. The value of imports and exports and foreign currency revenues was \$90 million. Jobs that provide a stable income were created for 600,000 laborers, and a notable contribution was made to implementing the military rear policy. In 1994, it is predicted that gross business revenues will reach 2,500 billion dong and that 150 billion dong will be contributed to the budget. The value of exports and foreign currency revenues is expected to reach \$110 million. [Footnote 1] [See THOI BAO KINH TE VIET NAM, No 18, 1994, page 11] The above figures manifest the great growth potential and capabilities of the defense industry when there are correct positions and policies.

This is a great contribution in the process of industrializing and modernizing the country. At the 7th Plenum of

the CPV Central Committee, Seventh Term, General Secretary Do Muoi said: "The proper amount of attention must be given to the defense industry. Plans and measures must be formulated to mobilize the civilian industrial sectors to effectively support the needs of national defense. At the same time, the capabilities of the defense industry must be utilized fully in order to produce non-military goods and contribute to satisfying the needs of production and daily life." [Footnote 2] [TAP CHI CONG SAN, August 1994]

Clearly, it must be affirmed that the national defense production sector is a part of the unified national economy. The defense industry is an inseparable part of the national industry in industrializing and modernizing the country and one of the strengths that must be nurtured and exploited effectively.

In order to accelerate the growth of the defense industry and satisfy the requirements of industrialization and modernization, in my view, we must concentrate on exploiting the following three basic spheres:

1. Some of the material capabilities of the defense industry must be used to produce civilian commodities and services.

A number of people think that converting the defense industry to producing civilian commodities and services will weaken the defense industry and lead to passivity and confusion if war should break out. Because of this, the defense industry should concentrate on producing weapons and rear service equipment for the military. It should not engage in economic activities, because the military cannot carry out economic activities effectively.

In my view, converting the defense industry so that it becomes an integral part of the country's economy will give the defense industry new vitality and contribute greatly to expanding the country's economy. One thing that is quite clear is that at a time when the economy needs capital for industrialization and modernization, it would be a great waste if the defense industry (which ranks second among the economic sectors in terms of capital and enterprises) focuses solely on producing weapons and rear service equipment for the military. According to calculations made by the National Defense and Economic Construction General Department, in order to satisfy needs in peacetime, the defense industries are using only 15-30 percent of the equipment capacity and labor force. Thus, converting the defense industry and making full use of its production capabilities in order to produce civilian commodities and services is an urgent requirement. This will create a large source of capital for the economy without having to invest any more capital.

The results of this change are important not only to the economy but also to national defense and society. Because by participating in producing civilian commodities and services, the defense industry can reequip and support itself. On the other hand, this will reduce the



national defense budget and free up these funds for other priority spheres. If the defense industry can reequip itself with more modern technology, it will be in a better position to satisfy the country's national defense needs and implement the strategy of coordinating national defense with economic growth.

2. There must be a transfer of technology between the defense industry and the civilian economic sectors.

Because of the high technological requirements, in recent years, our country's defense industry has developed constantly. It has notable scientific and technical potential such as precision machines and metallurgy and casting large parts, producing explosives and chemicals, building and repairing ships, maintaining and repairing aircraft, producing electronic components and information equipment, and so on.

In order to industrialize and modernize, our country has had to spend a large amount of money to import equipment and technology and hire foreign specialists. When looking for technology on foreign markets, we must implement policies to encourage the transfer of technology within the country and eliminate the separation between the various sectors, spheres, and scientific and technical research installations. Based on this, the defense industry must play a notable role in transferring technology to the national economy, and it has the ability to do this. Cooperative research and practical development must be expanded between the military's science and production federations and the national scientific and technical installations in order to avoid wasting the large number of good minds hidden at installations managed by the military.

3. The strengths of the military must be exploited even more, and the economic infrastructure must be built up.

During the resistance against America for national salvation, the engineer, road and bridge construction, and military transport units worked miracles that astounded the world. They maintained the communications arteries from the rear to the front lines. Now that the country has entered a period of construction, the capital construction units of the military are standing firm and participating in building many key national projects.

Today, the military capital construction sector has been equipped with relatively modern vehicles and construction machinery and equipment. The ranks of technical and managerial cadres are experienced and will be a notable force in building the economic infrastructure.

One of the military's strengths that must be exploited is its capabilities in building sea ports and airports. The navy, air force, and engineer corps must cooperate closely in order to play a role when orders come in. The immediate thing is to improve and upgrade a number of military ports and runways. Attention must be given to transferring some of the port and airport capabilities to support civilian transportation.

Military units on alert in strategic areas such as the Central Highlands, northern mountainous areas, western Nam Bo, along the borders, and on the islands must be used to participate in repairing, upgrading, and building roads and bridges, water conservancy projects, hydroelectric projects, and other projects in order to hit the target of having military mobility and to build a civilian economic infrastructure. This will contribute to bringing the military and people closer together on the all-people national defense front in those areas where military units are based.

In order to fully exploit the potential of the defense industry in industrialization and modernization, I would like to propose a number of solutions:

1. Today, the defense industry has many enterprises operating in a variety of sectors. They can manifest their drive and creativity in business but in the long run, that will disperse the capabilities, limit intensive investment, and limit renovation of the equipment and technology. Because of this, based on the arrangement of the economic and national defense strategy and the shift in the economic structure, the defense industry must be reorganized accordingly (the first thing is to organize sector and territorial patterns). At the same time, studies must be done on forming a number of economic groups and military industrial cooperation teams by sector or territory in order to exploit the integrated strength and create the strength to compete and the ability to manage capital in a flexible manner on the markets.

In reorganizing the defense industry, the main target must not be forgotten, which is to have production serve the needs of the military. The solution to this problem is to concentrate on producing civilian commodities and services that can be used for either civilian or military purposes and to organize a "flexible" production and technical structure that can quickly switch from civilian production to military production and vice versa.

Because geographical conditions can easily be interrupted whenever war breaks out, in reorganizing the defense industry, much attention must be given to the territorial structure. An even strategy must be created in all the localities, and it must be ensured that the national defense requirements can be satisfied in the worst possible conditions. Today, the military enterprises located in remote areas want to relocate to urban areas, saying that this would facilitate commercial production. Reality shows that mountain area markets are being abandoned. Because of this, the military enterprises must have a strategy to stand firm and control this broad market.

Based on the production capabilities, the national defense enterprises must be classified, and there must be correct positions and policies for each type of enterprise. In my view, these can be classified as follows: Type 1: Enterprises that can produce, do research, and develop technology should concentrate on producing and repairing military goods. Less than 30 percent of their production capabilities should be used in producing



civilian goods. Type 2: Enterprises with average technical standards and poor national defense production characteristics can switch to producing mainly civilian goods (approximately 70 percent), with their remaining capabilities devoted to producing military goods. Type 3: Enterprises with poor technical standards and little capital will not be able to achieve good results if they continue producing military goods. These enterprises should switch to producing civilian goods entirely, and if necessary, they can be removed from the national defense industry structure.

2. On capital and technology: Just as at other production installations in the country, the lack of technology and capital is widespread in the national defense installations. Because of this, attention must be given to expanding joint ventures and cooperation between the defense industry and other countries based on maximum exploitation of multi-use technology. To date, developing and expanding cooperation has been very slow. In 1993, of the 15 plans proposed, only nine were issued investment permits with a total capitalization of \$154 million. It is estimated that 10 plans will be approved in 1994.

However, because the defense industry is related to security and defense, joint ventures and cooperation with other countries requires close coordination between the Ministry of National Defense and the State Commission for Cooperation and Investment in order to avoid revealing national secrets and to obtain foreign capital and technology to expand the potential of the defense industry.

In order to provide capital and ensure that the capital achieves results, the state should permit the establishment of a military commercial bank. This bank will help ensure the independence of the military enterprises in commercial production. It will provide a service needed by the military in a market mechanism and help the defense industry expand into world markets. The state can authorize the military enterprises to sell enterprise bonds in order to attract the idle capital among the people in order to expand the defense industry. Initially, the selling of these bonds can focus on the ranks of active-duty military officers.

In order to quickly obtain new technology and modern equipment for the defense industry, training, retraining, and attracting the military's ranks of scientific and technical cadres is a pressing requirement at this time if the defense industry wants to avoid being left behind. Many forms of training must be used simultaneously, including sending people abroad, with the training financed by the enterprises.

The national defense enterprises can work through the civilian economic bases that are engaged in joint ventures with other countries in order to seek new technology, such as information and metallurgy technology and technology used in producing automobiles and motorcycles, building ships, and producing "mac cao" cement.

3. The management mechanism in the military enterprises must be renovated.

Based on reorganizing the structure of the defense industry, the existing knots concerning the management mechanism of the defense industry must be untangled. The phenomenon of production at any cost without regard to the economic results must be stopped at the source. Today, because of the nature of the defense industry, dealing with the management mechanism has encountered many more difficulties than at the civilian enterprises. State subsidies and payments still pose a heavy burden, and there are still many echelons and intermediary levels.

To enable the defense industry to become a real economic subject and work effectively, the state should soon formulate a mechanism to have the military engage in economic activities and have production serve national defense. It must provide concrete guidelines for each type of enterprise and ensure equality in terms of rights and obligations between the military and the civilian enterprises so that each person can rest assured in production and business and manifest his dynamism and creativity in order to expand the production of civilian goods and maintain national defense production capabilities. A suitable organizational system and mechanism must be built in order to make a clear distinction between economic accounting and national defense subsidies so that the enterprises can adequately calculate the results of their commercial production activities. In my view, the state needs to distinguish between two types of defense budgets: The first type is investment in expanding the defense industry. This type must be repaid through capital depreciation payments (non-state subsidies budget sources with adequate accounting for costs). The second type is budget funds used to pay for the national defense orders (managed by the Ministry of National Defense). These funds must be used to order goods from installations that produce defense goods. A suitable management model from the Ministry of National Defense to the commercial production installations must be built based on the principle of clearly distinguishing state management from commercial management, reducing the number of intermediary echelons, carrying out the statistical and accounting measures, and so on. There must be measures to deal promptly with inefficient enterprises engaged in producing civilian goods. Policies must be implemented to aid those enterprises that are located in remote areas in order to increase their vitality and strengthen their competitive power.

#### **Initial Results in Renovating and Reorganizing the Party in the Rural Areas of Thai Binh**

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[Article by Vu Dinh Thanh, deputy CPV secretary in Thai Binh Province]



[FBIS Translated Text] The Thai Binh provincial party organization has 876 primary organizations with 84,000 party members, which includes 279 village and town party organizations. Seventy percent of the party members are active in rural party organizations. Because of this, in renovating and reorganizing the party, the Thai Binh provincial Communist Party of Vietnam [CPV] committee has decided that building the party bases and improving the quality of the party members in the rural areas are key tasks.

Prior to implementing the resolution of the 3d Plenum of the CPV Central Committee on renovating and reorganizing the party, of the 279 village and town party organizations, each year approximately 35 percent met the standards for being honest and strong party organizations, 50 percent were rated as good, and 15 percent were rated as poor (based on the old standards). In the province, almost 20 percent of the bases were considered to be "hot spots." Even those party organizations rated "honest and strong" and "good" manifested many weaknesses, particularly in leading economic development. The functions and tasks of the party bases were not defined correctly or clearly. A number of party committee echelons controlled things and did the work of the authorities. In some places, party bases were lax in leading, controlling, and mobilizing the masses in carrying out the economic and social tasks. Only about 30 percent of the party members in the rural areas played a leadership role and almost 80 percent had not been assigned specific tasks. Thus, reviewing, evaluating, and classifying the party members was very difficult and inaccurate. The position and role of party members in the new revolutionary stage was not clear, and many party members were no better than average people.

The standards once used to distinguish party members are now no longer entirely suitable. Furthermore, because classifying party members is often done in a very simple way as a matter of form, this does not reflect the actual situation at the party bases or the true quality of the party members. The number of party bases rated honest and strong and the number of party members considered to have adequate qualifications usually increases from one year to the next (in some places, 99 percent of the party members have been rated as having adequate qualifications). But the economic and social situation at the primary level is unclear. Social evils have not been stamped out but have tended to increase. This situation shows that party building has been separated from the economic and social tasks. Attention is focused mainly on party work, and poor results have been achieved in building the party.

The problem posed for the Thai Binh party organization is to set correct and clear standards and requirements for the party members, determine methods for analyzing and evaluating the quality of the party bases and party members in the present revolutionary stage, and tie building the party to developing the economy and society and maintaining security and national defense.

Based on this, the Thai Binh provincial CPV committee has issued concrete guidelines on the standards for honest and strong party bases. For party bases in the rural areas, the province has set five specific standards. They must provide good leadership in carrying out the important tasks in the present stage with respect to: the economy, the center of which is changing the economic structure; culture, education, and training; security and national defense; the construction of the material base and the rural infrastructure; and the construction of the party, the administration, and the mass organizations. For each standard, there are a number of specific norms that provide a basis for reviewing, evaluating, and classifying things.

To get the party organizations to strive to meet the above standards, the provincial CPV committee is concentrating on guiding the implementation of the following main measures:

1. Studying, analyzing, and evaluating the real state of affairs among the ranks of party members:

The provincial party committee has stipulated the use of standards in a concrete manner and is guiding the party bases in analyzing the quality of the party members based on each type:

Party members who have adequate qualifications and who have played a good leadership role.

Party members who have adequate qualifications but who still have a number of limitations (elderly, poor health, and difficult family situation making it difficult for them to complete the tasks assigned).

Party members who have made mistakes, who have shortcomings, and who need to be disciplined, among whom are party members who have to be expelled from the party.

Party members whose level of awareness is very low.

The economic situation and standard of living of the party members has been reviewed and classified, too: rich party members, party members with a good standard of living, poor party members, and poverty-stricken party members.

By classifying and evaluating party members this way, the provincial CPV committee now has a relatively clear understanding of the quality of the party members and the standard of living and economic situation of party members and their families. Based on this, it has implemented guidelines and solutions to overcome the limitations and weaknesses.

2. Formulating action programs:

Along with studying and gaining a thorough understanding of the resolution of the 3d Plenum of the CPV Central Committee, all the party bases have formulated concrete action programs. These action programs concentrate mainly on developing the economy, eliminating



poverty, gaining wealth legitimately, exploiting and expanding the VAC economy, and building the four material base projects for the new rural area (roads, electricity, schools, and stations). As for party building, the action programs are concentrating on formulating and resolutely implementing party work measures. The action programs must be feasible and concretely define the targets for each period. The standing committees of the district and city CPV committees must provide guidance and review the action programs of each subordinate party organization.

### 3. Formulating leadership regulations for the party organizations:

Based on the stipulations of the Secretariat of the CPV Central Committee on the functions and tasks of village party organizations, the provincial CPV committee is guiding things and requiring that all the party bases formulate and implement leadership and work regulations. This is regarded as a very important measure to improve leadership capabilities and strengthen the combat strength of the party bases. The regulations must clearly stipulate the functions, tasks, responsibilities, and powers of the party bases, the work methods, and the relationship between the party organizations and individuals and between the party bases and the authorities and mass organizations. Doing a good job in formulating and implementing the leadership regulations will renovate the leadership themes and guidelines of the party bases and overcome the tendency to take over and do the work of the authorities or relax the leadership role of the party.

### 4. Solidifying the hamlet party chapters:

Hamlet party chapters have been reorganized on a scale of approximately 30 party members. Their task is to provide direct and all-round leadership with respect to the work of the hamlets. In particular, they must lead production, security and national defense, and party building. The secretaries of the hamlet party chapters must also serve as hamlet chiefs. The provincial, district, and city CPV committees must give particularly attention to guiding the work of improving the committees. The party chapter secretaries must be capable and knowledgeable people who have good quality and who are in good health. After assigning party chapter secretaries, the district and city CPV committees must train them and give them the knowledge needed concerning economic and social management and party building.

### 5. Building ranks of key cadres:

The district and city CPV committees have classified and evaluated the ranks of key cadres and, based on this, improved the ranks of cadres somewhat at the primary level. Above all, the village-level apparatus must be streamlined and strengthened. Previously, there were usually about 45-50 village and cooperative cadres; now there are only 13 village cadres and five agricultural cooperative cadres. Where possible, the party committee

secretary can serve as the chairman of the village people's committee. In general, each cadre must carry out a number of functions simultaneously. Because the apparatus has been streamlined, it is now easier to select, replace, or dismiss cadres based on the procedures and policies. On this occasion, the district and city CPV committees have reorganized and dismissed about 20 percent of the key cadres at the primary level. Along with reorganizing and replacing the weak cadres, the provincial CPV committee has promoted cadre training. To date, almost all of the standing committees of the village party committees have or are attending secondary classes on theory and politics. All of the administrative cadres have studied state management at schools in the province. Besides this, the provincial CPV committee has organized things to enable cadres to visit, exchange ideas with, and train at progressive models in and outside the province. This has improved the intellectual and practical capabilities of the key cadres at the primary level.

### 6. Improving the quality of the ranks of party members:

By classifying the quality of the party members, the provincial CPV committee has guided the bases in promptly implementing suitable measures for each type of party member. The decisive thing is that the bases must divide the labor, assign tasks, and involve the party members in specific tasks, primarily economic development. Each party member must take the lead in implementing the programs to eliminate poverty and hunger and gain wealth legitimately in the movements to cultivate rice intensively, improve the gardens and ponds, and develop the sectors. In the present situation, if the party does not provide excellent economic leadership, it will not be possible to hit the target of having prosperous people, a strong country, and a just and civilized society. Party members must eliminate poverty and enable families and society to prosper legitimately. That is the only way to assemble the masses and play a model vanguard role. Besides engaging in economic activities, party members must implement the party work measures well. This includes party activities, criticism and self-criticism, party development, mobilization of the masses, and so on. Party members must set an example in participating in activities and in carrying out the tasks of the mass organizations in which they participate. Every healthy and capable party member must be assigned specific tasks. Once every three months, the party chapters must review the results achieved by party members in carrying out the tasks assigned to them. If a party member fails to complete a task and does not have a legitimate reason for this, he must be criticized and given a warning. If he fails to improve, his qualifications as a party member must be reviewed. Only in this way will party members play a model vanguard role through their specific tasks, remain close to the masses, and stimulate the masses to implementing the positions and policies of the party and state.



As for elderly party members who are not able to participate in party work and activities, who have voluntarily asked to be exempted, and who have been granted permission by the party chapter, they can be exempted from being assigned specific tasks and can be shifted to activities suited to their health and age. These party members must, nevertheless, set an example in terms of quality and way of life and teach the younger generation to implement the policies and lines of the party and the policies of the state.

The provincial CPV committee has given attention to providing training and education and raising the standards of the party members. Above all, attention has been given to training the ranks of party members in Marxist-Leninist theory and providing them with knowledge about economic management, science and technology, party building, mobilization of the masses, and so on. The forms of training used have been varied and suited to each target and base. Emphasis has been given to holding classes lasting several days for all party members and to selecting young party members who have good prospects and sending them for longer periods of training at centralized classes in the districts.

After two years of implementing the above themes and measures, to date, the party bases in the rural areas of Thai Binh have undergone positive changes. All of the village party organizations have formulated leadership and work regulations and taken an important step forward in overcoming duplication of functions and tasks between the party organizations and administration. The degree of uniformity among the party bases has increased. The number of weak bases has declined from 15 percent to only 5 percent. The "hot spots" have been virtually eliminated. The situation in the rural areas is generally stable. The honest and strong party bases have maintained their quality and are doing a good job of leading the activities in the localities.

What is very encouraging is that many bases are now dynamic and creative in their use of the positions and policies of the party and state, and they have achieved good results. Since the implementation of the resolution of the Fifth Plenum of the CPV Central Committee, many bases have put this into practice, guided changing the agricultural and rural economic structure, and brought about clear changes in rural economic development. In more than 80 percent of the villages, yields have reached 10 tons of paddy per hectare per year, and in a number of villages, yields have reached 14-15 tons per hectare per year. Exploiting the household economy and improving the gardens and ponds is being carried on actively. The movement to plant crops and raise things of high economic value, such as honeybees, frogs, turtles, eels, and snakes, raise fish in the rivers, and engage in ecological activities is expanding. Restoring traditional occupations and introducing new occupations in order to build handicrafts villages is being carried on with good results. There are 40 handicrafts villages in the province. There are 10 in Kien Xuong District alone. In these

villages, the income structure of the peasant households has clearly changed. Income from occupational sectors and services accounts for 60-70 percent of total income, with income from agriculture accounting for only 30-40 percent. Tan Le Village in Hung Ha District has restored and introduced mat weaving to all the village households. This has attracted thousands of laborers, and yearly revenues exceed 10 billion dong. Hong Thai, Le Loi, and Nam Cao villages in Kien Xuong District have restored various occupations and returned production to each village household. Each village has attracted thousands of laborers, with revenues from these occupations accounting for more than 70 percent of the village's gross income.

The movement to build the rural infrastructure has undergone positive changes. At present, all of the villages have electricity, 92 percent of the peasant households use electricity for daily life and production, 50 percent of the villages have asphalt-paved gravel roads, and 30 percent of the villages have roads made of hard materials. Most of the village schools and public health clinics are multi-story buildings with flat roofs. A number of villages have telephones and a water purification system. The face of the rural area is clearly changing.

There have been good changes in the ranks of cadres and party members. The ideological understanding and concept of responsibility of the cadres and party members has been elevated somewhat. In particular, there has been an important renovation in understanding and action concerning the party leading the economy. In the past, only about 20 percent of the party members were assigned tasks. Now, except for elderly party members or those who are in poor health and who have been exempted from work, most party members have been assigned specific tasks. Of these, more than 70 percent are participating in economic activities. Based on preliminary inspections, 80 percent of the party members have completed the tasks assigned them. In this, 25-30 percent of the party members have done an excellent job in the intensive cultivation of rice, 15-20 percent have done an excellent job in raising livestock, and 7-10 percent have done an excellent job in engaging in VAC economic activities. A total of 148 party members have received contracts for 839 hectares of river-front and coastal land to rear aquatic products. Some party members have received contracts for up to 200 hectares of swampland. Hundreds of party members are working in production cooperation teams, and thousands of party members are engaged in small industry and handicrafts activities. With the help of the party chapters, many poor party members have improved their standard of living and now have an average or good standard of living. The number of party members who are carrying on excellent economic activities is increasing daily. In some places, the number of such party members accounts for 15-20 percent of all party members.

In addition to the economic activities, many party members are actively participating in social and mass



mobilization activities. For example, they are participating in the activities of various mass organizations and professional and social associations such as the Gardeners Association, the Beekeeping Association, the Ecological Association, the Preservation Association, and so on. The majority of the party members are playing a model vanguard role by carrying out specific tasks and achieving good results in order to persuade the masses to follow them. Almost all of the party members engaged in economic activities have resolutely obeyed the laws and adhered to the policies of the state. No violation has been discovered yet. A number of party members with high incomes have actively and self-consciously participated in and contributed to charitable activities and contributed to building public welfare projects. Because of all of these things, the ties between party members and between party members and the masses have grown closer and closer.

There have also been clear changes in purifying and expanding the party. More than 4,000 party members (4.9 percent of all party members in the province) have had their qualifications reexamined. Of these, 1,902 have been granted time to struggle, 736 have been disciplined, and 1,652 have been expelled from the party. In 1992, the Thai Binh party organization recruited 868 new party members (an increase of 54 percent as compared with 1991). In 1993, this figure increased to 1,212, and in the first quarter of 1994, the number of people recruited into the party increased 30 percent as compared with the first quarter of 1993.

Although a number of initial results have been achieved as discussed above, in the primary party organizations and ranks of party members in the rural areas of Thai Binh, there are still many weaknesses that must be dealt with and overcome. For example, the standards and capabilities of many party members are still limited and uneven. Many party bases are still in a state of confusion and lack dynamism in leading the economy. At a number of places, there is a lack of solidarity and local thinking in assigning and using the cadres. The activities of a number of mass organizations are still formal in nature, and they have failed to achieve results. Many party members have not manifested an effect or improved their model vanguard role. But the important thing is that through the process of renovating and reorganizing the party, the party committee echelons have learned a number of lessons that will enable them to do a better job in the following stages:

First, the work of renovating, reorganizing, and solidifying the party bases and improving the quality of the

party members must be tied to the economic and social tasks, with the results achieved in developing the economy and society and improving the lives of the people used to measure the results achieved in renovating and reorganizing the party. At the same time, leadership must be provided in carrying out the economic and social tasks in order to improve the leadership capabilities and combat strength of the party and purify the party members. These two problems are closely related. They affect each other and stimulate mutual growth. If these two things are kept separate, party building will be ineffective, and it will be difficult to make this a part of life.

Second, in renovating and reorganizing the party, along with stressing thoroughly understanding the basic ideological viewpoints of the resolution of the Third Plenum of the CPV Central Committee, concrete action programs must be formulated for each echelon and sector and suitable work contents must be clearly determined for each period. In formulating action programs, attention must be given to mentioning and closely relating the following two issues: developing the economy and improving the standard of living and strengthening party building.

Third, the party committee echelons must personally guide things and play their role as staff organizations. In guiding things, they must give attention to all aspects and, at the same time, clearly determine the key aspects. They must give attention to guiding points, setting examples, and gaining experience in order to guide things in general. The party committees must coordinate things closely and help the party committee echelons control and guide things, make preliminary summaries, gain experience in a timely manner, and give attention to the weak places that are experiencing difficulties.

Fourth, guiding and solidifying the party bases and improving the quality of the party members must be synchronized with many measures. Solidifying the party must be coordinated closely with solidifying the administration and mass organizations. Attention must be given to organizing the ranks of cadres correctly, particularly the ranks of key cadres. The bases must be given help in formulating leadership regulations and clearly determining the specific functions and tasks of the party bases. At the same time, the standards must be clearly defined, and models of honest and strong party bases that have satisfied the requirements of renovation must be built.



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